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WORLD AFFAIRS JOURNAL

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DEC 29 1989

JANUARY, 1990
VOLUME 89 NO. 543

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Current History

JANUARY, 1990

VOL. 89, NO. 543

Although Latin America saw momentum build toward democracy in the 1980's, the region faces serious political, economic and social problems as it enters the 1990's. There has also been a change in the attitude of the United States government, which our introductory article says is "following a policy of benign neglect. . . . As United States investment and attention is turned in other directions, its indifference to Latin America will probably increase."

United States Policy in Latin America

BY HOWARD J. WIARDA

Professor of Political Science, University of Massachusetts, Amherst

WITH the inauguration of George Bush as the forty-first President of the United States on January 20, 1989, policy toward Latin America moved toward the center, toward the mainstream. That process had begun earlier under President Ronald Reagan, particularly under the foreign policy team of Secretary George Shultz at the Department of State, Secretary Frank Carlucci at the Department of Defense, William Webster at the Central Intelligence Agency (CIA) and General Colin Powell at the National Security Council (NSC). But the changes had been incomplete, especially with regard to Latin American affairs.¹ However, under President Bush a far more pragmatic policy was put into place and consolidated.

George Bush is more experienced in foreign affairs than any American President since Richard Nixon, perhaps since Dwight Eisenhower. As a congressman, businessman, member of the Council on Foreign Relations, member of the Trilateral Commission, director of the CIA and ambassador to China, President Bush has had far more experience in foreign policy than his three immediate predecessors. In addition (and unusual among American Presidents), George Bush has lived abroad for an extended period; he is personally interested in foreign policy issues and draws heavily

on his own considerable knowledge and experience when making foreign policy decisions.

At the highest levels, the foreign policy team that President Bush has recruited for his administration reflects the same prudent, centrist and pragmatic approach. With James Baker as secretary of state, Richard Cheney as secretary of defense, Webster at the CIA, and Brent Scowcroft at the NSC, Bush has a politically shrewd, experienced and technocratic team. They all come from the pragmatic, centrist wing of the Republican party.

In fact, while both Presidents Jimmy Carter and Ronald Reagan recruited officials for their administrations from the more ideological Washington-based think tanks, President Bush's recruits came mainly from the mainstream Council on Foreign Relations (CFR). In the Bush administration, the CFR is back in power after a 20-year hiatus; it is significant that, in sharp contrast to President Reagan's administration, the Bush administration has not recruited a single person for a foreign policy position from the conservative think tanks, either the Heritage Foundation or the moderately conservative American Enterprise Institute for Public Policy Research (AEI).

On Latin American affairs, however, other criteria came into play. At the State Department, for example, there were several experienced and qualified candidates for the position of assistant secretary of state for inter-American affairs; but Secretary of State James Baker chose Bernard Aronson, a liberal Democrat who had been a Walter Mondale supporter, who knew little Spanish and had little experience in Latin America, but who once wrote part of a speech for President Reagan

¹For amplification see Howard J. Wiarda, *Finding Our Way: Toward Maturity in U.S.-Latin American Relations* (Washington, D.C.: American Enterprise Institute for Public Policy Research, 1987); and "United States Policy Toward Central America: A Retrospective of the Reagan Years," in James Malloy and Eduardo Gamarra, eds., *Latin America and the Caribbean Contemporary Record*, vol. 7 (New York: Holmes and Meier, 1989).

urging congressional support for the contras in Nicaragua. Conservatives grumbled that if they had wanted a liberal Democrat as the chief official on Latin America, they could have voted for Democratic presidential candidate Michael Dukakis.

To appease the conservatives, a conservative had to be appointed to the NSC, the other key position in the administration on Latin America. The choice was Ellis (Ted) Briggs, former United States ambassador to Panama and a career foreign service officer — not a conservative ideologue but a man who favored continuing United States pressure on the Sandinista regime in Nicaragua and could provide access to the conservative White House. But in the meantime, in an effort to downplay the importance of the area, the number of Latin America specialists on the NSC staff was reduced from three to one.

If political objectives were the primary motivation in filling the State Department positions, what precisely were those objectives? Four may be identified, all interrelated.

First, Secretary of State Baker wanted to appease the congressional Democrats and defuse the partisan conflict over Central America that had all but paralyzed foreign policy in the Reagan administration. That is why he appointed a liberal Democrat as assistant secretary for inter-American affairs. By defusing the Central American issue, Baker could gain the goodwill of the Democrat-controlled Congress on issues he considered more important.

Second, Baker saw Central America as a can of worms for his President, a no-win situation, a "black hole" into which the United States pours billions of dollars and receives nothing but grief.

Third, Secretary Baker wanted to concentrate all his attention on what he viewed as more pressing foreign policy matters: the President's trip to Europe for the NATO (North Atlantic Treaty Organization) summit and a projected summit with Soviet President Mikhail Gorbachev later. These larger goals were not to be diminished by the ugly divisive issues of Central America; thus Central America and the congressional critics had to be finessed and removed from the front pages in favor of the pageantry, drama and favorable headlines of summity.

Fourth, Secretary Baker, who was also President Bush's 1988 chief campaign strategist, was already planning the presidential campaign of 1992. To that end, once again, Central America had to be defused as a hot issue and the congressional Democrats and the press given less ground for criticism of President Bush. Baker wanted favorable and positive news coming out of the White House, not the negatives that seem to go with Central American policy.

Baker's strategy succeeded masterfully, at least in

the short run. The congressional Democrats were quieted; Central America was relegated to the back pages; criticism was muted; the President had a successful NATO summit and will have a summit meeting soon with Gorbachev; and, preparing for the 1992 campaign, the President's popularity has remained at a record high. In 1989, domestic political considerations were initially far more important in shaping Latin American policy and appointments than anything actually happening in the region.

Despite Baker's well-laid plans, however, Latin America could not be shunted aside. The simmering Nicaraguan issue could not be counted on to die down so readily, particularly with the call for disbanding the contras in the Central American peace accords and with presidential elections in Nicaragua scheduled for February, 1990. The question of what to do about Panamanian dictator General Manuel Antonio Noriega, the drug issue, the Latin American debt and the question of the survival of democracy in Latin America were all issues that could be expected to surface again. Eventually, Baker's political strategy was overtaken by events, as the realities of Latin America and the complex United States interrelations with it once again flared into focus.

The Baker strategy and the preeminence of politics over policy might lead one to be cynical about United States policy toward Latin America. The good news is that there is more than mere domestic politics in the Bush administration's Latin America policy. The administration has a plan, rather close to the recommendations made by former Secretary of State Henry Kissinger's commission, for a comprehensive program in Latin America, including social and economic assistance, debt relief, human rights, democracy, a drug policy, as well as the furtherance of United States strategic interests. The bad news is that there is no money to pay for any of these plans.

Until the funds are available, therefore, Latin America policy will be dominated by politics and rhetorical flourishes, with relatively limited substance. As usual, Latin America is a low priority and "benign neglect" is popular; but benign neglect as a basis for policy can be maintained only for a limited time, while the problems of Latin America continued to fester. If the past is any guide to the future, the seemingly endemic problems of the area will almost certainly force events in Latin America once again onto the front pages and the television screens.

PANAMA AND NORIEGA

Panama's General Manuel Noriega has for some time been a major thorn in the side of United States

policy—almost as sharp a thorn as Libya's Colonel Muammar Qaddafi or Iran's Ayatollah Ruhollah Khomeini. Noriega is one of the last remaining right-wing dictators in Latin America, a drug profiteer, a repressive thug, a former CIA informer and (at the same time) a new-found buddy of Cuba's strongman Fidel Castro and the potential chief beneficiary of the United States–Panama Canal treaties. Overall, he is a major embarrassment for United States foreign policy.

The United States has tried every trick in the book to get rid of Noriega—and many that were not previously in the book—including cajolery, diplomacy, bribery and arm twisting.² The United States has used a prestigious private Washington law firm to orchestrate the economic strangulation of Panama; it has tried to use the Organization of American States (OAS) to put pressure on Noriega; and it has sent United States troops to rattle their sabers in the Canal Zone and to exchange gunfire with Noriega's forces. The Bush administration has tried to persuade Noriega to resign peacefully, to share power, to go into exile along with his treasury or to hold democratic elections. But when Noriega's candidate lost, he promptly annulled the election, beat up the opposition and installed another puppet President.

An October, 1989, coup attempt directed against Noriega failed; the Bush administration was strongly criticized for its inept performance during the coup. Playing on nationalist sentiments, mobilizing his not inconsiderable supporters and cleverly dodging and ducking, Noriega has apparently outsmarted the United States at every turn. Ironically, Noriega's ability to outwit the United States has turned him into something of a folk hero in Panama and elsewhere in Latin America.

The key is patience—not a commodity for which United States foreign policy or United States public opinion is famous. The pressures and sanctions are all in place; it will take time for them to take effect and time for the Panamanian political process to reassert itself. That process, aided and supported by the United States, will eventually result in Noriega's removal, if not through the democratic process, then perhaps through action by the Defense Forces in Panama, or most likely a combination of the two. But United States efforts to act precipitously or unilaterally, or to remove Noriega through military action, would almost certainly evoke a cry of protest in Latin America and prove counterproductive.

There was a major breakthrough in August,

1987, with regard to Central America when the five Central American Presidents signed an accord whose essential quid pro quo was the disarming and disbanding of the Nicaraguan rebels (contras) in return for Nicaragua's promise to hold democratic elections in February, 1990.

CENTRAL AMERICA

The issue was complicated in terms of United States domestic politics. Conservatives criticized the Bush administration for "selling out" and "abandoning" the contras. But the administration already knew that it could not persuade Congress to approve a new contra aid package. So in response to conservative pressure it issued a rather meek criticism of the Central American Presidents and called for some renewed aid to the contras. The administration eventually compromised and Congress approved some "humanitarian" aid, which was to be used chiefly to resettle the contras. Resettlement, however, meant an end to the contras as a fighting force and to their ability to exert pressure on the Nicaraguan government.

For the Sandinistas, in contrast, this agreement was a major triumph: they would have to suffer the inconvenience of holding an election but they would rid themselves once and for all of the hated contras—not a bad bargain in Sandinista eyes since they had no intention of losing the election they were obliged to hold.

The United States reaction to the Central American accords was a product of Secretary Baker's domestic political calculations. He knew he would be criticized by conservatives on this issue but he gambled—correctly, as it turned out—that this reaction would be mild and short-lived. On the other hand, the gains in terms of defusing congressional criticism and ensuring high political popularity ratings for President Bush outweighed the disadvantages. The negative consequences of the Baker-Bush strategy—if the Sandinistas cancel or blatantly rig their elections, if the contras prove a disruptive force in Honduras or in the United States, if another Central American country falls to a Marxist-Leninist guerrilla challenge—could still return to haunt the administration; but at this writing the domestic aspects of the Bush policy seem to have succeeded brilliantly.

DEBT

It has been obvious for a long time that the countries of Latin America could not pay back their massive international debts (which at the end of 1988 totaled \$426 billion), and that the debts were essentially uncollectible. But if that were so, then the main question became political—how to handle or manage this debt. Over the past several years man-

²The "book" here referred to is, literally, three volumes: see Adam Garfinkle and Daniel Pipes, eds., *Friendly Tyrants* (Philadelphia: Foreign Policy Research Institute, forthcoming).

aging the issue involved some considerable dissembling.³ The debt was both unpaid and unpayable, but no one could say so publicly for fear that the private commercial banks, some Latin American governments and maybe even the international financial system would collapse.

By 1989, the situation had changed. Many United States banks had rolled up record profits in the preceding years and were therefore able to absorb losses on their Latin American loans. The international financial system was no longer threatened by collapse. For the most part, the Latin American countries had managed austerity well for several years, but austerity could not be sustained indefinitely. And within the United States government, a consensus began to emerge on how to relieve the debt burden without telling American taxpayers that they would ultimately pay the bill. Meanwhile, several Latin American democracies seemed to be on the verge of collapse.

To avert major problems for President Bush, Secretary of the Treasury Nicholas Brady introduced a corollary to the "Baker Plan" (named for his predecessor at the Treasury Department, James Baker, now secretary of state). Known as the "Brady Plan," it tried to offer the private banks incentives to forgive a portion of their outstanding Latin American loans. In return for forgiving some loans, the banks would receive guarantees for their remaining loans while the Latin American countries would receive new credits to pay these loans from the multinational lending agencies (the World Bank, the International Monetary Fund, and the Inter-American Development Bank).

Meanwhile, the United States agreed to support stronger funding for these lending agencies. In short, the United States taxpayer would help guarantee Latin America's outstanding debts indirectly and in disguised form through enhanced United States support of the multinational banks. Meanwhile, the private banks were to have the option of choosing between debt reduction, reducing the interest rate charges or providing new loans with guarantees.

While the Brady Plan was probably one step toward a realistic resolution of the debt issue, its negative consequences should not be forgotten. First, United States taxpayers must pay for Latin America's debts; second, it removes the stringent requirements that forced Latin America's often inefficient public agencies to reform themselves in return for new loans; and third, it gives the private banks the opportunity to stop making any new loans to Latin America. Thus, while the Brady Plan

offers some short-term solutions, its long-term implications may turn out to be negative.

DRUGS

United States drug policy has gone through three stages. In the first phase in the early 1980's, the United States determined to crack down on domestic consumption. But that made little impression because drugs were often seen as a "lifestyle" issue and thus a matter of choice, and because tactics like mass arrests of suspected drug users and mass testing of employees ran afoul of concerns for civil liberties.

In the mid-1980's the government turned to cutting off drugs on the production or supply side, by sending United States Drug Enforcement Agency (DEA) officials to Latin America and United States troops to Bolivia. But the DEA, which had little foreign affairs experience and which sees the issue mainly as a law enforcement problem, found itself in conflict with the State Department, which seeks to maintain good relations with the governments whose officials DEA often wanted to arrest.

In addition, the DEA underestimated the immensity of drug production in Latin America, the inaccessibility of the drug "factories" and the simple and low-level technology needed to set them up and, hence, the difficulties of eradication. The DEA also failed to understand the reasons for drug production in Latin America. Drug production adds to exports, increases the gross national product (GNP), pays for government social programs, and raises per capita income. It allows farmers to increase their incomes many times over, enables government workers and military officers to supplement their meager incomes and even helps pay Latin America's foreign debts. Herbicide sprays cannot be used because of popular fears of cancer or, in Colombia, fear of tainting the coffee crop. Furthermore, extradition of the drug kingpins to the United States often provokes strong nationalistic reactions.

President Bush's program, the third phase, suggests a more comprehensive approach. It seeks to curb consumption through education, rehabilitation and arrests; it tries at the same time to limit production by providing support, including equipment and military advisers, for Latin American armed forces and police agencies. In addition, the Bush program attempts to stop the flow of funds through interdiction and prosecution of those who

(Continued on page 31)

³For a fuller analysis see Howard J. Wiarda, *Latin America at the Crossroads: Debt, Development, and the Future* (Boulder, Col.: Westview Press, 1987).

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"With the presence of multiple political alternatives at the local level and an emerging conservative alternative at the national level, Peru may well be poised to begin its long climb back from the edge of the abyss."

Peru's Persistent Problems

By DAVID SCOTT PALMER

Professor of Political Science and International Relations, Boston University

MANY records were set in Peru in 1988. Archeologists reported the discovery of the Western Hemisphere's richest tomb.¹ Inflation, at 1,722 percent, more than quintupled its previous recorded high. The legal economy contracted by at least 8.5 percent, and contracted another 22.8 percent during the first five months of 1989. Emigration skyrocketed to 120,000 legal departures, four times the figure of two years earlier. The production of coca leaves for manufacture into coca paste and cocaine reached an estimated 300,000 tons, providing over 50 percent of the world's supply.²

Terrorist incidents increased, with an estimated 4,446 incidents, and more military and police officials (275) were killed by guerrillas than in any previous year.³ Peru became the only Latin American country at risk of censure or even expulsion for arrears on its debt to the International Monetary Fund (IMF), the World Bank and the Inter-American Development Bank. Archeological treasures notwithstanding, then, it is not surprising that scholarly analyses of recent developments have carried titles like "Peru in Agony," "Peru at the Abyss," "A Nation in Crisis" and "... Prospects for Democratic Consolidation in a 'Least Likely' Case. . . ."⁴

¹Walter Alva, "Discovering the New World's Richest Unlooted Tomb," *National Geographic*, vol. 174, no. 4 (October, 1988), pp. 510-555.

²Gustavo Gorriti, "How to Fight the Drug War," *Atlantic Monthly*, vol. 264, no. 1 (July, 1989), pp. 70-76.

³David Scott Palmer, "Terrorism as a Revolutionary Strategy: Peru's *Sendero Luminoso*," in Barry Rubin, ed., *The Politics of Terrorism* (Washington, D.C.: The Johns Hopkins Foreign Policy Institute, 1989), Table 1, p. 143, and Table 2, p. 149.

⁴See particularly Cynthia McClintock, "Peru in Agony," in James M. Malloy and Eduardo Gamarra, eds., *Latin American and Caribbean Contemporary Record 1987-1988* (New York: Holmes and Meier, forthcoming).

⁵Among the studies of the origins of Peru's economic problems under reformist military rule are John Sheahan, *Patterns of Development in Latin America* (Princeton: Princeton University Press, 1987), especially pp. 257-270; and David Scott Palmer, "The Changing Political Economy of Peru Under Military and Civilian Rule," *Inter-American Economic Affairs*, vol. 37, no. 4 (Spring, 1984), pp. 37-62.

⁶David Chaplin, "Peru's Postponed Revolution," *World Politics*, vol. 19, no. 3, pp. 393-420.

At the same time, formal democratic practices and procedures have continued, as they have since the military turned power back to the civilian government in 1980. Successive presidential and congressional elections in 1980 and 1985 witnessed record turnouts; the municipal elections of 1980, 1983 and 1986 were not far behind. With key military officers making unequivocal statements that they would not support a coup, it seems likely that the November, 1989, municipal elections and first-ever regional elections, and the April, 1990, presidential and congressional elections will proceed as scheduled. Should this happen, Peru will enter the 1990's with a record of adherence to democratic forms that the country has not matched since the 1895-1914 epoch, the only sustained period of civilian rule in its 165-year history as an independent country.

Peru's economic difficulties date from the mid-1970's, when the multiple reform initiatives of the military government (1968-1980) began to exceed the government's capacity to pay for them.⁵ Although Peru has one of Latin America's most diversified resource bases, which has insulated the country from the vicissitudes of the international economy, it has had only four years of net economic growth in the last 14 years (1981-1982 and 1986-1987), after an almost unbroken skein between 1949 and 1975.⁶ Peru was the first Latin American country to find itself unable to pay its recent foreign debt obligations (in 1978). This was the precursor of a pattern that became endemic to the region in the 1980's. By 1989, only Colombia, Chile and Uruguay were continuing to meet their contracted foreign debt payments.

After the first two years of the Alán García presidency (1985-1990), real wages eroded; as of late 1989, real wages were on average 52 percent below 1970 levels. This decline included a calamitous drop in 1988, estimated to be 50 percent for that year alone. Combined unemployment and underemployment hovered between 50 percent and 60 percent from the mid-1970's onward, giving rise to studies to discover how the average citizen survived without effective unemployment compensation or

social security. The result of the studies revealed an "informal sector," largely concentrated in the capital city of Lima, which is now believed to account for the production of goods and services equal to about 40 percent of the formal economy of Peru.⁷

Historically, levels of inflation and public foreign debt in Peru have tended to be low. In the 1960's, in fact, double-digit inflation and triple-digit debt were matters of grave concern; a 19 percent inflation rate and an \$801-million foreign debt contributed significantly to the erosion of popular support for the first elected government of President Fernando Belaúnde Terry (1963-1968) and was one justification for the October, 1968, military takeover. By the end of the military *docenio* (twelve-year rule), annual inflation had topped 67 percent and the debt was \$7.98 billion. During two of the five years of President Belaúnde's second term (1980-1985), inflation exceeded 100 percent for the first time, with a foreign debt up to over \$14 billion. During President García's first two years, inflation declined somewhat (78 percent in 1986 and 86 percent in 1987), making 1988's historic high all the more difficult to bear. Even though there was some reduction in monthly inflation rates in the latter part of 1989 (July inflation was 25 percent, as it was in August), the total increase for the first eight months of the year was a distressing 993 percent.

Despite the García administration's strong stand on limiting debt payments to 10 percent of exports, contributions well in excess of that were made to foreign creditors in 1986 and 1987. However, these payments virtually stopped at the beginning of 1988, adding substantially to a foreign debt burden now estimated to be in excess of \$23 billion (\$16.7 billion in debt and \$6.5 billion in arrears). As of September, 1989, the secondary market prices for Peru's debt were the lowest of all Latin American countries at 6 cents on the dollar (compared with 68 cents for Colombia, 43 cents for Mexico and 17 cents for Argentina). In sum, President García's economic policies are now generally considered to have been disastrous for Peru.

Some economists argue that Peru's economic problems could have been prevented. Besides restricting foreign debt repayments, the administration's economic strategy included a variety of incentives to industrialists and agriculturists, like cheap credit and tax reduction, to increase production and real wages. These incentives, plus regular meetings with President García, were designed to gain domestic entrepreneur confidence to stimulate new

private investment, and seemed to have the desired effect for a time. By the end of the third quarter of 1987, real wages were about 10 percent above 1980 levels and the economy had grown by 8.5 percent (1986) and 6.7 percent (1987). Growth was even more marked in the agricultural sector.

The key to maintaining the positive economic results of the administration's first two years, however, was to foster sufficient confidence among investors so that new capital would be forthcoming to replace capital previously generated by foreign loans. But in early 1986, Peru startled already skittish foreign investors by nationalizing Belco Petroleum. The major blow, however, came in July, 1987, when President García, without consulting his economic advisers, announced the government takeover of most of the country's remaining private financial institutions. With this action, García abruptly and definitively ended any possibility of securing the new domestically generated private resources the Peruvian economy needed to sustain its positive momentum. That this possibility had been realistic is suggested by neighboring Chile's receipt of \$652 million in Peruvian capital for new investment there in the first half of 1989 alone.⁸

In retrospect, the nationalization attempt and the political firestorm it created misdirected the energies of the government at a crucial juncture and marked the beginning of the rapid unraveling of the economy, which proceeded apace through mid-1989. Foreign exchange reserves were exhausted by the end of 1987; the government deficit widened; inflation rates increased dramatically; real wages plummeted; and efforts at reconciliation with the IMF failed because of sharp government infighting. To top it all off, the proximate cause of the difficulty—bank nationalization—ultimately failed as well.

In disarray and growing despair, the government announced three economic austerity packages between September, 1988, and March, 1989, to try to shock the economy back to reality. These packages included huge price increases, substantial devaluation of the Peruvian currency (the inti) followed by a semi-floating exchange rate with an open parallel market and several cuts in government spending and credit. By late 1989, some positive results were visible, including a substantial reduction in inflation, an increase in real wages and marked growth in foreign exchange reserves.

However, the costs were enormous, both in government legitimacy and in popular purchasing capacity. Strikes in key sectors paralyzed production (e.g., mining strikes in 1988 and 1989 may have cost Peru more than \$750 million in lost foreign exchange). Frequent general strikes (at least seven in 1988 and 1989) and "armed strikes" called by the

⁷Hernando de Soto, *The Other Path*, translated by June Abbott (New York: Harper and Row, 1989).

⁸James Brooke, "Peru Drained by Inflation and Violence," *The New York Times*, September 18, 1989.

Shining Path (*Sendero Luminoso*) guerrilla forces in selected cities demonstrated dramatically the loss of government support among the wider population. Some opinion polls put public support at 10 percent or less in early 1989; the same administration had enjoyed a favorable rating of more than 80 percent in 1986.

POLITICAL VIOLENCE

Unfortunately, economic problems were not the only source of the government's headaches. A truculent guerrilla movement continued, with spin-offs and reactions that added to the García administration's woes. Shining Path, originating as a radical student organization in the mid-1960's in the provincial university in remote highland Ayacucho, initiated the armed struggle with the burning of ballot boxes in the Ayacucho market town of Chuschi on May 17, 1980, the eve of Peru's first national elections in 17 years.

Thus Peru's most recent attempt at formal democratic rule coincided with the onset of a new guerrilla outbreak. By mid-1989, the combination of insurgent violence and government response had left almost 13,000 people dead, an estimated 3,000 people "disappeared" and well over \$10 billion in property damage.⁹

Democratic forms and procedures, usually considered the best defense against continued guerrilla activity, were regularly and increasingly challenged in Peru. The number of terrorist incidents rose each year in the 1980's, and deaths attributable to guerrilla activity and government responses increased annually since 1984.

Part of this increase is attributable to new subversive groups. The Tupac Amaru Revolutionary Movement (MRTA), more urban-based and more Cuba-oriented than Shining Path, started its own armed struggle in 1984 around Sisa, in the Upper Huallaga Valley. An organized conservative response, calling itself the Rodrigo Franco Front (after an assassinated political official of the governing party, the American Popular Revolutionary Alliance [APRA]), began death-squad activities in mid-1988 with the killing of a defense lawyer for a captured Shining Path leader.

⁹These figures on deaths due to political violence have been compiled month by month from newspaper sources by Centro de Estudio y Promoción del Desarrollo (DESCO) in its weekly publication, *Resumen Semanal* (Lima). These are compiled and reported annually in Sandra Woy Hazelton, "Peru," *Yearbook of International Communist Affairs* (Stanford: Hoover Institution Press).

¹⁰From DESCO's monthly reports in *Resumen Semanal*.

¹¹The summary of Shining Path ideology that follows is derived from the lengthy interview of "President Gonzalo," by Luis Arce Borja, published in *El Diario* (Lima), July 24, 1988, pp. 2-47.

MRTA and Rodrigo Franco are believed to account for about 20 percent of the terrorist incidents in Peru over the past 18 months.¹⁰ Shining Path, which normally does not take public responsibility for its individual actions, is believed responsible for most of the rest. However, some individuals and groups are taking advantage of the violent climate to settle old scores, so their attacks also appear in the overall totals. By the end of 1989, in short, the much feared possibility of the generalization of violence in Peru was becoming a reality. Among Latin American countries, political violence is currently at higher levels only in El Salvador.

Shining Path remains the dominant guerrilla organization in Peru, with a fully formed and distinctive ideological perspective. The leadership of Shining Path sees in its revolutionary project a true orthodoxy derived from Marxist thought, but dependent principally on Mao Zedong's writings and long experience in China fighting and organizing to gain power.¹¹ The role of the peasantry is seen as central, with workers in a supporting role. Constant self-criticism is required to root out any moderating elements so that the movement never compromises its orthodoxy or loses its focus on the need for a total revolution, no matter how long it takes.

As Shining Path defines it, the present government is a fascist dictatorship; no dialogue or compromise is possible. It must be fought by stealth, by symbols and by tactics, turning Shining Path's weaknesses of smaller numbers and inferior military capacity into strengths. Its vanguard is a crucial element and must be protected at all costs. The leader's role is to galvanize and inspire; strong leadership is central to Shining Path's success. In Shining Path cadres, youths under 18 and women are preferred because they are less set in their ways and more open to the liberating possibilities of their organization.

The New Democracy, which would be established after the revolution, is left somewhat vague, but official references suggest it would be patterned after the original Chinese model of collective agriculture and industry, self-sufficiency, a dominant state meeting basic needs and constant internal self-criticism to avoid the danger of creating a new bureaucratic elite. Gestures of respect for reformed private property and religious beliefs are probably tactical rhetoric.

From this summary of the Shining Path's analysis of the organization's relationship to Peruvian reality and its revolutionary role, the challenge presented to established authority is clear. No dialogue is possible. The group is prepared for a 50-year struggle. Internal organization and unity of purpose are crucial and must be reinforced by constant purging.

Youth is the major target of recruitment. The peasantry is the backbone, but urban working class elements are also important, and the revolution cannot succeed without them. All resources for the struggle must be internally derived because compromises will corrupt purity and because no existing state shares Shining Path's vision. Ideology is the driving force—Maoism tempered by the nationalistic principles of Peruvian Communist party founder José Carlos Mariátegui—all interpreted and dictated by President Gonzalo, a.k.a. Abimael Guzmán Reynoso, Shining Path's vanguard leader.¹²

These characteristics indicate Shining Path's distinctive nature compared with most revolutionary movements. However, ideological and organizational coherence are insufficient to ensure success. There must also be substantial support among the population and a government that is discredited and becomes less legitimate over time. While open support for Shining Path seems elusive, there are indications of at least acquiescence in some parts of Peru. Electoral figures, for example, show up to 75 percent abstention, and spoiled and blank ballots in the highland departments of Ayacucho, Apurímac and Huancavelica, where Shining Path has been active for at least 20 years.¹³

However, the record turnout rate for the 1985 presidential election and periodic public opinion polling indicate that electoral solutions, not revolutions, are preferred by most Peruvians. Furthermore, the electoral left is active and successful in Peru. Reformist and Marxist parties have captured from 25 percent to 70 percent of the vote in presidential, congressional and municipal elections since 1980. Marxist unions and federations control almost 80 percent of organized labor, which includes about 1.6 million people.

¹²Debate continues as to whether or not Guzmán is still alive. Most analysts conclude that the 1988 *El Diario* interview was with the leader himself and not with some composite or successor. If so, it was Guzmán's first public statement since Shining Path began the armed struggle in 1980.

¹³Palmer, "Peru's *Sendero Luminoso*," pp. 144–145.

¹⁴These estimates are from analysts and journalists who follow Shining Path. The Minister of the Interior, Augustín Mantilla Campos, presented much lower figures in his maiden speech to Congress on June 6, 1989; about 1,400, not counting the city of Lima. His totals for MRTA are higher than most thought; 580 rural and 100 urban.

¹⁵Information on deaths from DESCO, *Resumen Semanal*.

¹⁶Amnesty International, *Peru: Human Rights in a State of Emergency* (New York: Amnesty International, 1989), pp. 4–5. The June, 1987, figure is from William and Sandra Woy Hazelton, "Human Rights and the Challenge of Guerrilla Terrorism in Peru," in Altaf Gauhar, ed., *Third World Affairs 1988*, (London: Third World Foundation, 1988), p. 36.

¹⁷Amnesty International, *Peru*, p. 7.

¹⁸See David P. Werlich, "Peru: García Loses His Charm," *Current History*, vol. 87, no. 522, for details.

The organized presence of nonviolent reformist alternatives makes it difficult for Shining Path to recruit among the urban lower classes, as it has admitted. Its recent successes have been staged in some universities and in the special situation among the coca growers in the Upper Huallaga Valley. Nevertheless, the 3,000 to 5,000 armed cadres (with up to 50,000 active supporters) fall far short of the critical mass needed to gain the ultimate objective—establishing the New Democracy in all Peru through revolution.¹⁴

What Shining Path has done, particularly in the past two years, is to expand its arenas of activity. It has recruited and propagandized more openly, intimidated and assassinated more elected officials, and killed more police and military officials (as well as some development workers, domestic and foreign) as they attempted to carry out government projects. The number of terrorist incidents has increased each year, with 20 percent more attacks recorded during the first half of 1989 over 1988. After dipping substantially in 1987, deaths attributed to political violence have been rising steadily since, with a dramatic increase in 1989. More killings were recorded in the first six months of 1989 than for all 1988 (1,490).¹⁵

The growing number of individual tragedies is reflected in the dramatic expansion in the number of emergency zones (EMZ) decreed by the central government to restore order. In these areas, the constitutional rights of assembly, inviolability of the home, movement and arrest only by warrant are suspended, and military authority supersedes civilian authority. Of Peru's 181 provinces, 13 were declared EMZ's as of 1984. This number expanded to 23 by June, 1987, and to 56 as of July, 1989.¹⁶ More than half of Peru's 21 million people are living in provinces within the EMZ's.

The increase in the number of EMZ's in response to guerrilla activity may be more than casually related to reports of substantial increases in human rights violations by Peruvian authorities. Unacknowledged detentions that had once been declining during the García administration tripled (to 322) in 1988 and continued to grow rapidly in 1989.¹⁷ This suggests growing frustration over the government's inability to break the cycle of political violence.¹⁸

It also probably reflects the larger issue of the relationship between civilian authority and military-police authority. As the García administration lost

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"... in important quarters of Salvadoran society, the commitment to human rights and democracy is thin. . . . Several billion dollars in United States assistance [have] prevented the guerrillas from taking power in El Salvador, but [have] not guaranteed democracy there."

Tragedy in El Salvador

By JOSÉ Z. GARCÍA

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ISOLATED internationally by fast-moving regional trends, pounded by the armed forces and faced with a deteriorating political base and a more stable government, during 1989 FMLN (Farabundo Martí National Liberation Front) guerrilla leaders in El Salvador proved once again that they could respond to adversity with imagination and formidable strength.

Early in the year, a guerrilla peace initiative captivated the public's attention and created high hopes for an eventual settlement. But late in the year, when the newly elected government of President Alfredo Cristiani was apparently looking the other way during a right-wing assault on organized labor, a spectacular FMLN military offensive in San Salvador left more than 1,000 people dead before the guerrillas withdrew to the countryside. If the long-term prognosis for the guerrillas is poor, the FMLN reminded everyone in 1989 that the right, in power for the first time in a decade, could not simply wish the guerrillas away.

The 1989 search for a negotiated peace began on January 23 with a bold offer by the guerrillas to recognize the legitimacy of the 1989 presidential elections, and indeed to participate in them, provided that the government postponed them (they were scheduled for March 19) until September 15 and satisfied a number of guarantees for the safety of guerrilla members. The moderate nature of the proposal was a dramatic departure from previous demands, and it represented the first major effort to negotiate in more than two years. But it was as vague as it was coy. Guerrillas promised only to cease hostilities shortly before and after the postponed elections, implying that the war might continue, a non sequitur. There were indications that the guerrillas had not fully dropped their demands for power-sharing, and the FMLN later insisted that the Salvadoran armed forces be cut back from

56,000 soldiers to 12,000, an unrealistic demand at best.

After a period of increasingly serious discussion, negotiations broke down when the ARENA (National Republican Alliance) party, ahead in the polls, resorted to dilatory procedural tactics in the legislature, forcing a postponement of peace talks until after the elections. These were held as scheduled on March 19. But the January FMLN proposal changed the tempo of the conflict and served several guerrilla objectives brilliantly.

First, the proposal placed the lame-duck Christian Democratic (PDC-Partido Democrático Cristiano) government of President José Napoleón Duarte in an awkward position. Public opinion virtually demanded a sincere effort to negotiate with the FMLN. An opinion poll taken in early March indicated 59 percent support for postponement of the elections, one of the few clear-cut public opinion victories by the FMLN in years.¹ A refusal to negotiate would belie the Christian Democratic party's effort to be seen as the party of peace. But since the ruling PDC's standing in the polls was low and falling in January, some analysts felt that a postponement of the elections for six months might give the PDC time to regroup, to the detriment of other parties. This potentially partisan consequence of the proposal damaged it in some circles. The proposed prolongation of the Duarte presidency for six months also raised sticky constitutional issues and involved some civic risk, since a lengthened term for Duarte, who was terminally ill with cancer, increased the probability that the government could be left without an elected leader at a critical moment. Juxtaposed against the tantalizing possibility of ending the violence, these issues created confusion and controversy.

Second, it gave the rebels an overwhelming presence and a clear-cut initiative during the entire electoral campaign. Just as the campaign for the March 19 presidential elections had begun to monopolize the news, government, party and news media leaders were forced to scramble to respond to the more dominant news items of the day. As can-

*The views expressed in this article are solely those of the author; they do not reflect the views of the United States Army.

¹Segundo Montes, "Las elecciones presidenciales del 19 de marzo de 1989," *Estudios Centroamericanos* (San Salvador), March, 1989, p. 204.

didates and campaigns reacted with obvious partial calculation to the guerrilla proposal, the whole electoral process seemed more like a stumbling block to peace than a symbol of selfless democratic expression. And the more seriously the proposal was discussed, the more uncertain the date and very meaning of the election became. Guerrillas milked this advantage for all it was worth. Not until ten days before the elections was it evident that they would be held on March 19.

Finally, and of more lasting importance, party leaders and government officials who negotiated face-to-face with FMLN leaders returned home with the conviction that the guerrillas were seriously contemplating an eventual end to the war on roughly the same terms the government had long offered; that is, they could join the political process as an electoral alternative in return for laying down their arms. From that moment, the salient questions about the conflict have not been how the war would end and on whose terms, but rather when it would end and with what guarantees for the guerrillas. Almost certainly, had the guerrillas made the same proposal five years earlier, Duarte's election in 1984 would have been postponed and the United States embassy would have broken out champagne. But if most guerrillas are more amenable to dialogue because of increasingly adverse conditions, FMLN rebels in 1989 made it clear that they would negotiate with consummate skill on a playing field that they had largely shaped themselves and were not about to surrender.

THE 1989 ELECTIONS

After an expensive and slick campaign, Georgetown University-educated Alfredo Cristiani of the right-wing ARENA party won nearly 54 percent of the vote in the March, 1989, presidential election. Since he received more than 50 percent, this eliminated the need for a runoff election between the top two contenders in what had been an eight-party race. The Christian Democratic party, discredited by charges of corruption after five years of rule, won only 36 percent of the vote, and the formerly "officialist" National Reconciliation party, which ruled El Salvador during the 1970's, won only 4 percent, suggesting that it may eventually disappear from the political scene entirely. The most surprising tally was the vote for the Convergencia Democrática (CD). The CD, a coalition of leftist parties formerly allied with the FMLN and headed by Guillermo Ungo, received barely 3.8 percent of the vote in this first test by the democratic left of its electoral support since the mid-1970's.

²*Estudios Centroamericanos* published a special edition on the first 100 days of Cristiani's presidency in the fall of 1989. See especially the article by Fernando Flores Pinel.

FMLN guerrillas, perhaps frustrated by the failure of their peace proposal, tried to spoil the voting, as they have before. They called for a transportation stoppage during the election period, threatened to kill people working at voting tables and stepped up attacks on the nation's electrical power grid. The armed forces, however, had anticipated guerrilla sabotage and were reasonably well prepared.

Less than five percent of the electorate was unable to vote, and in election-related skirmishes the army claimed to have killed more than 100 guerrilla combatants, a record number of losses during an election. These actions did little to improve the FMLN's image as born-again democrats and, in fact, drove a wedge between them and their erstwhile allies, CD leaders Rubén Zamora and Guillermo Ungo.

The first few months of Cristiani's presidency were less troublesome than many observers had anticipated. For one thing, right-wing death squad activities, and other gross human abuses did not increase, even after several prominent murders attributable to the left seemed almost to invite such reprisals. Cristiani, who had campaigned on a more moderate platform than usually associated with his right-wing ARENA party, gave an even more soothingly moderate inaugural address, in which he stressed the need to continue the agrarian reform initiated a decade earlier. He also promised to address the country's mounting social ills, like malnutrition and poor education, and he advocated conservative economic reform. Most important, he vowed to continue serious efforts to arrive at a negotiated settlement of the decade-long armed conflict. Cristiani immediately assembled an exceptionally intelligent team.

In these efforts, he was largely successful. In September, the United States Senate voted 82 to 18 in favor of a \$90-million military aid package for El Salvador, \$5 million more than the military had received the year before. That Senator Christopher Dodd (D., Conn.), often a critic of United States aid to El Salvador, voted with 81 other Senators in favor of this level of assistance, is a strong indicator of the bipartisan consensus shaping up in Congress with regard to El Salvador. And inside El Salvador, the fact that analysts at Catholic University (who in the past criticized as too reactionary the centrist postulates of the Duarte-United States alliance) gave Cristiani reasonably high marks after the first 100 days is strong testament to the democratic left's willingness to give him an honest chance.² Among the nation's wealthy, if Cristiani, a businessman, cannot convince skeptics to invest in the economy, no one can.

Cristiani and his supporters can best be

characterized as representatives of the "New Right" in Latin America. They believe that populist models advocating strong statist or semi-socialist programs like those offered by the Duarte government from 1984 to 1989 have failed because of inefficiency, corruption and a lack of incentives for investors. Instead, they advocate economic programs like those followed by Chile under General Augusto Pinochet, which openly promote a free-market economy and direct rather than indirect subsidies to the poor.

Cristiani hopes to lower tariffs on imported goods to increase the economic efficiency of domestic producers and to reduce monopoly pricing; at the same time, he hopes to lure foreign capital by offering tax and other incentives to potential investors in the maquila (foreign-owned assembly and processing) industry, which has been inactive for more than a decade. The Taiwanese or Korean "models" are currently the subject of much discussion in business and political circles, suggesting the economic direction contemplated by many advisers.

But at the present economic stagnation is the reality of the day, and the gross national product (GNP) is still 20 percent lower than it was a decade ago. On August 25, Cristiani announced a National Rescue Plan designed to help El Salvador's poorest families in a variety of ways. The plan includes a program to give 20,000 temporary government jobs to agrarian workers in the after-harvest season. It offers low-cost housing (less than \$5,000 per unit) to 6,000 poor families, extending easy credit and in some cases direct subsidies. And it will distribute free food to the neediest. For those who can work, it will offer food in exchange for free labor in public works projects. Programs in prenatal care, food for schoolchildren, and urban community development projects in 200 depressed communities are also to be implemented. All together these programs will cost over U.S.\$150 million, or approximately \$35 per capita.

ARENA'S VICTORY

Cristiani's hopes for success in these policies depend not only on their efficacy in reviving a stagnant economy and on the sincerity and honesty of the effort, but also on the continued generosity of foreign governments, especially the United States, which spent more than \$3 billion in El Salvador during the 1980's. This raises an interesting issue. The United States Congress began funding the El Salvadoran enterprise in 1980 only with great reluctance and only after the government had promised to embark on a series of reforms that were thought to be essential steps toward curbing the growing support base for the FMLN.

Among the assumptions underlying the initial

package of United States military and economic support was the notion that the guerrilla rebellion was in great part caused by the unfettered greed and ham-fistedness of the wealthy right wing, at that moment organizing itself into the ARENA party. Only a strong program of distributional reform away from the rich, it was felt, would undermine the support base of the guerrillas. In effect, Congress backed the Christian Democratic party in El Salvador at that time because it represented the only organized force that opposed ARENA as well as the guerrillas.

How then, with the guerrilla war still raging ten years later, did Congress agree to fund an ARENA government that campaigned on a platform to undo some of the very reforms Congress had insisted on a decade earlier? Were the initial assumptions underlying the aid wrong? Did ARENA change? Did the United States Congress change? Is it simply because this time around the right wing was honestly elected? The answers, even briefly outlined, reveal a lot about the nature of the Salvadoran conflict.

The major reforms undertaken by the Duarte government in 1980—agrarian reform, state ownership of banking, and export control—were fundamentally political, not economic, in nature. They were designed to convince lower and middle class citizens—whose support was thought to be essential—that the new government recognized the historical irresponsibility of the extreme right and was prepared to take away some of the traditional instruments by means of which, in conjunction with its brutal allies in the security forces, it could dominate society. Economic philosophy was not a factor in these decisions.

Today, Cristiani's ARENA argues that while the United States was prepared to fund these programs during a time of war, it is not prepared to fund them forever. The economic inefficiencies (lack of incentives, cumbersome bureaucracy, and so on) inherent in these semisocialist policies have decreased national production and employment rates below acceptable levels, even after guerrilla damage to the economy is taken into account. Although the guerrilla threat has apparently been reduced, the political argument justifying these policies is gone; and there was never an economic justification.

In light of this history and in recognition of its own perceived responsibility for guerrilla support, ARENA offered what amounted to a social compact to its constituents during the elections and after. ARENA promised—through direct subsidies to the poor—to address the political issues of social justice that formed the underpinning of the Duarte reforms. At the same time, it was trying to reverse the economically pernicious effects of the Duarte reforms for the benefit of the traditional right wing. In

practice, this meant privatizing the banking and agrarian export systems.

RENEWED VIOLENCE

Despite its promises, the government was shaken in mid-November by a powerful FMLN offensive in the capital—the strongest since 1981—that left at least 1,000 dead after days of intense urban warfare. Guerrillas occupied several suburbs, attacked military targets, cut water and power lines, and paralyzed the country with a five-day transportation stoppage. The armed forces were caught by surprise. United States officials lamely labeled the attack an act of “desperation” on the part of the guerrillas. In fact, it was a long-planned and well-timed response.

For several weeks before the November offensive, torture and other abuse were mounting against the leftist leaders in the trade union movement. Police roundups of union members increased, sometimes with violent consequences.

Other violence, including bombing the homes of left-of-center party leaders Rubén Zamora and Aronete Diaz, seemed to suggest an orchestrated wave of violence against the potential electoral base of the left. Less tangible was a smug attitude conveyed subtly by the inexperienced government that the FMLN was all but defeated.

Continuing hostile actions apparently committed by guerrillas did not improve guerrilla-government relations and in fact may have been designed to elicit overreaction. By October, the guerrillas assumed that the government was collaborating in a right-wing effort to destroy the small political support base available to the FMLN after the war was concluded. The increasing brazenness of these support groups in favor of the FMLN did nothing to relieve tensions. When, on October 31, a bomb placed in the headquarters of a leftist union killed 10 top labor leaders and wounded 30 others, guerrillas evidently concluded that the government was closing off their access to the labor movement; subsequently, they threatened to call off peace talks scheduled for November. The FMLN military offensive against the government began less than two weeks later.

Although there was evidence that the guerrillas had been preparing an urban offensive for several months, FMLN leaders probably did not activate the contingency until the heavy-handed right-wing assault in October.

By mid-November, the fighting between government forces and the FMLN had intensified. On November 16, in an act of calculated savagery at José Simeón Cañas University in San Salvador, 6 Jesuit priests and 2 female servants were shot and killed by unknown assailants. Witnesses said the

priests, who were dragged from their quarters at night, murdered and then mutilated, were killed by murderers dressed in military uniforms.

Three of the murdered priests, including the rector of the university, were prolific writers who, for many years (and often with great eloquence) had criticized the country's human rights record and United States assistance to the armed forces. Their ability to criticize official policy and sometimes to sympathize with FMLN guerrilla goals had led many to believe that there was still freedom of speech in El Salvador. Their senseless murder destroyed this illusion and has had a devastating effect on the intellectual climate in El Salvador.

In more practical political terms, if it is proved that the atrocity was perpetrated by the right (as several United States officials concluded several days after the murder), then Cristiani's ability (or willingness) to control significant sectors of the right wing including the death squads is questionable.

In short, the Jesuit murders—if committed by the right—make it difficult for the Cristiani government and United States policy-makers to prove that anything has changed after ten years of war. On the other hand, if it can be proved—as the right wing claims—that the atrocity was committed by the left wing, human rights groups will be forced to repudiate the action.

Although the November offensive proved that the guerrillas could not be counted out, their overall strength should not be exaggerated. International and domestic forces have weakened them. After glasnost, unrest in East Europe, China's Tiananmen Square massacre and global speculation about the failure of communism, few in El Salvador still believe that the Managua-Havana-Moscow axis is the wave of the future. Neoconservatism and capitalism are the watchwords of the day. The FMLN has shown virtually no ability to go beyond the shadow of Managua in the way it articulates Salvadoran problems. In short, the international context acts to the considerable disadvantage of the FMLN.

Only in the area of military power does there seem to be some question about the capabilities of the FMLN, and in this area there appears to be some confusion about the role of military force as envisioned by the policy-makers who constructed a long-term strategy for El Salvador in the early 1980's. Controversy about the success of United

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"Menem's agenda is ambitious and must be implemented swiftly. . . . Few doubt that Menem wants changes in the nation's economic structure, but, as always, most Argentines are skeptical about his chances of success."

The Peronists Triumph in Argentina

BY GARY W. WYNIA

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RAÚL Alfonsín's presidency is quickly becoming ancient history in Argentina. After thriving on democracy's restoration, Alfonsín gradually saw his leadership crumble, leaving him no choice but to turn over the presidency to Peronist Carlos Saúl Menem in July, 1989, six months ahead of schedule.

Alfonsín, the Radical Civic Union's leader, had hoped to reach the finish line when he introduced a new economic program in August, 1988. Labeled the Primavera Plan (Spring Plan), it sought to decelerate inflation—prices had risen by 26 percent in July—and attract financing from the International Monetary Fund (IMF), the World Bank, and the United States, for a total of \$2.5 billion.

But Argentina's creditors, still unhappy about Alfonsín's halting interest payments early in 1988, balked at his request. When the new loans failed to arrive, it became impossible for the Central Bank either to prop up the Argentine currency (the austral) at 14 australes to the dollar (U.S.\$) or to hold down prices. The Primavera Plan unraveled in February, 1989, taking public confidence in Alfonsín's leadership down with it.¹

Eduardo Angeloz, the Radical Civic Union party's presidential candidate in the May, 1989, presidential and congressional elections, insisted that Juan Sourrouille and his economic team be dismissed; Alfonsín reluctantly complied in March, even though it was obvious that this action would do little to increase the government's popularity. Alfonsín knew that he was losing economically, but it was not until after the election that one of his economists admitted failure in establishing control over the government's inflated budget. The Primavera Plan had been a last-minute exercise in economic acrobatics, but it was wholly inadequate.² Prices rose again, first "only" by 9.6 percent in February, then by 18 percent in March, and 33 percent in April, 1989, leaving the electorate in no

mood to elect another Radical to the presidency.

Carlos Saúl Menem was the first person the Peronists (the Justicialista party) ever nominated in a direct primary election rather than in a party convention controlled by a few dozen politicians and labor leaders. The direct election was crucial to his success, since Buenos Aires governor Antonio Cafiero was preferred by most of the leadership. Only 1.7 million of the party's 4.1 million members bothered to turn out for the July, 1988, primary, but 53 percent of those who did voted for Menem rather than for the favored Cafiero.

Starting in August, Menem campaigned across the country, relying heavily on personal contact at the grass-roots level and exhibiting the same congeniality that had made him a popular governor in La Rioja province. Instead of stressing specific issues, Menem called for Argentina's "reunification," for greater productivity and for more social justice. And when these slogans did not excite anyone, he reminded them of what they had suffered during five years under Alfonsín: bouts of astronomical inflation, losses in real income and declining optimism about the nation's future.

By April, all 10 of the nation's polls predicted that Menem would win from 33 percent to 47 percent of the popular vote. When the ballots were counted on May 14 he came out on the high side, with 47 percent of the vote, compared with 37 percent for Eduardo Angeloz. Menem received majority support in only 8 out of 24 provinces, but he garnered a plurality in all but 5 of them, guaranteeing his victory in the Electoral College. The Peronists could now legitimately claim the right to govern the Argentine democracy.

The Peronists also added 17 seats in the Chamber of Deputies, which gave them a total of 127 seats, or exactly half the Chamber. Meanwhile, the Radicals lost a few seats and were left with just one-third of the Chamber under their control. None of this transformed the Peronist factions into a truly cohesive political party, but Menem's triumph was enough to assure him support in Congress during his first 100 days.

When asked why he lost, Angeloz confessed that

¹Judith Evans, "The February Crash," *Latin Finance*, May, 1989, p. 47.

²See interviews with government economist Adolfo Canitrot in *Somos* (Buenos Aires), May 24, 1989, pp. 48-52; and *Ambito Financiera* (Buenos Aires), May 28, 1989, p. 35.

the Radicals had not fully recovered from the defeat they had suffered in September, 1987, when the Peronists swept congressional and gubernatorial elections. Some Radicals just sat down and watched, Angeloz complained, while others pulled out altogether. Even Alfonsín, the much-admired democrat, took on the demeanor of the disgruntled politician who was pained to discover how quickly people in all social classes were turning against him.³

The Radicals, who several years before were claiming that they were building a new majority party, discovered how wrong they were. At first, Alfonsín had led Argentina adeptly, but that was never enough to secure the loyalty of more than 40 percent of the electorate. Had Alfonsín accomplished more with his economic policy, Angeloz probably would have triumphed in the presidential election of 1989, but the President's failure to turn his 1985 Austral Plan into a durable conquest of inflation doomed Angeloz. The acrobatics of the Primavera Plan never really came close to making up for this failure.

According to the constitution, Alfonsín was to turn over the presidency to Menem on December 1, 1989, six months after Menem's election. To survive that long, Alfonsín tried to get President-elect Menem to support his latest emergency stabilization program, which included a 40 percent increase in public service rates, a 10 percent tax increase on farm exports and a higher value-added tax. But Menem just watched as the public panicked and the value of the austral plummeted to 220 australes to the dollar. Fearful of a catastrophe, big business joined the general public in demanding that Alfonsín depart early and allow Menem to make a fresh start.

At first, Alfonsín resisted, going on television on May 23 to announce that he would stick it out; however, he quickly realized that he had become a lame duck who could do more for Argentina by departing gracefully than by hanging on. On July 8, he turned over the presidency to Menem. To his credit, Alfonsín left behind a country that was politically more democratic than it had been at any time in this century; but Argentines must also eat and pay rent, and most of them will remember Alfonsín for making it harder to do both.

A PERONIST SURPRISE

Carlos Saúl Menem fits no presidential stereotype. After completing law school in 1955 at age 20, he returned to La Rioja, one of Argentina's poorer

provinces, to practice law and Peronist politics. The son of Syrian immigrants who came to Argentina in 1912 and eventually prospered in the wine business, Menem cultivated the playboy image away from home and was not taken seriously in Buenos Aires. Yet he never lost touch with people in La Rioja, where he tried to run for governor in 1963 only to be stopped when the exiled Juan Perón ordered party members to boycott the election. When Menem tried again in 1973, he won easily.

The military evicted the Peronist government in 1976 and arrested Menem and other party leaders at the start of the *Proceso*. Five years passed before he was finally released, and to this day Menem says that he does not know why he was considered such a threat. Within Peronism, he was militant but never very radical; i.e., he wanted to rebuild a welfare state that was run by the Peronists. The champion of the provincial poor, Menem also admired the kinds of private enterprise that had allowed his father to prosper in his new country. It was not capitalism that he detested, but the people who practiced it without sharing their profits with their employees, the nation's poorest provinces and Peronist politicians.⁴

Menem is the most relaxed President that Argentines have ever seen, and he seems as happy on the *fútbol* field and the tennis court as he is in the presidential office. Two weeks after his inauguration, the 59-year-old Menem played an entire *fútbol* game alongside the famous star Diego Maradona to raise money to aid the poor. No recent Argentine President has ever dared such a feat or has been physically able to attempt it.

Menem enjoys asking anyone who chats with him to join his team, and he brags about being the consummate coalition-builder rather than the old-fashioned Peronist partisan. After his election, Menem spent almost as much time meeting with conservatives like Alvaro Alsogaray (a man once hated by Peronists) as he did with labor leaders. Where he was headed with such tactics no one was certain, but that apparently did not stop many of the Peronists' old opponents on the right from accepting his invitations.

Menem filled his Cabinet with loyal Peronists and several unaffiliated ministers. Peronists like union leader Jorge Triaca and lawyer Italo Luder were given the Labor and Defense Ministries, respectively, but the Foreign Ministry went to Domingo Cavallo, a free-trade economist with no party affiliation. Most surprising was his choice of little-known Miguel Roig to supervise the economic rescue operation. Roig was a retired executive from the Bunge & Born conglomerate, which was once Argentina's leading grain trader and was never a friend of Peronism. When Roig died of a heart at-

³*La Semana* (Buenos Aires), August 3, 1989, p. 15.

⁴For more on Menem's biography, see the book by journalists Alfredo Leuco and Jose Antonio Diaz, *El heredero de Peron* (Buenos Aires: Planeta, 1989).

tack on July 14 (just 5 days after his appointment), Menem quickly appointed Nestor Rapanelli, another Bunge & Born vice president, to replace Roig. He was convinced that executives from large corporations were the only people who could induce their colleagues to help him end the nation's economic crisis.

Menem's consultations with business leaders actually began six months before his election, when Jorge Born offered his firm's services to help prepare Menem's economic program. A little over a decade ago, the Born brothers had been kidnapped by young extremists and had to pay several million dollars for their release while the Peronist government stood by and watched. But in 1989 business and government needed one another, so Born set aside his displeasure with Peronism.

Bunge & Born executives subscribe to the annual macroeconomic analyses of Argentina written by North American consultant and Nobel prize-winner Lawrence Klein, a personal friend of Jorge Born's. At the end of 1988, Klein forecast high inflation and an abrupt decline in consumption by mid-1989, dangers greatly feared by Born since his enterprises produced as much for the domestic market as they did for export. Confident that Menem would win the election, Born shared the data with him during the campaign. Then, when Menem discovered that he would take office in July rather than December, he turned immediately to Born for more assistance. At Born's invitation, Menem attended an elaborate presentation by the firm's economists on May 23, where they outlined the problems Argentina faced and explained why the new President had to avert a collapse in consumption. Menem agreed and immediately appointed Miguel Roig to act on what the Bunge & Born economists had proposed.⁵

Economic recovery would not be easy. Menem's election had not served to halt inflation. On the contrary: in May, prices rose 78 percent and in June, 114 percent. With a nearly bare treasury, huge debts and a virtually collapsed economy on his hands, Menem knew that populism would have to wait. In the meantime, he asked the Bunge & Born people to draft immediate remedies. Their program was more immoderate and economically more orthodox than the program that Klein had suggested. The original Bunge & Born proposal had been neo-Keynesian in its approach, mixing the promotion of consumption with some fiscal austerity. But with inflation out of control in June, more drastic measures were necessary.

Initially, the medicine was bitter. Roig started by

devaluing the austral to 630 to the dollar (in just four years, the austral had depreciated by an incredible 60,000 percent). Most shocking to the Argentine consumer, he raised public utility prices. Gasoline, for example, went from about U.S.\$0.40 a gallon to over \$1.50 in one day. Next, he froze wages and persuaded major industries to freeze prices for 90 days. The program worked swiftly: prices, which had risen 196 percent in July, went up only 38 percent in August and rose even less in September.

Menem next asked Congress to pass two vital bills aimed at drastically reducing the size and cost of the Argentine government. It was public knowledge that the government's many enterprises were plagued by huge deficits—\$1 billion for YPF (the state-owned petroleum company), \$500 million for the railways, \$430 million for Segba (the state-owned electric power company) and less for others, totaling \$5.5 billion in 1988 alone.⁶ Printing new money in order to pay these bills meant higher inflation.

The State Reform bill authorized the privatization of several government corporations—something the Peronists had intensely opposed three years earlier when the Radicals had proposed a milder version. But Menem argued that without transferring ownership, the government could not control its finances. As quickly as possible, private corporations, including multinationals, would be invited to buy all or part of the largest government firms.

The second piece of legislation, known as the Emergency bill, instructed authorities to suspend tax and financial subsidies directed at the private sector. It also proposed bolder efforts to end widespread tax evasion in an attempt to raise the government revenue from 16 percent of the gross national product (GNP) to 24 percent.⁷ After a brief debate and some opposition from the Radicals, Congress passed both the State Reform bill and the Emergency bill with only minor revisions.

Economic growth was not ignored, although for a time it would have to be more concentrated than usual. Specifically, Menem wants to produce more petroleum and natural gas for export and to boost farm production. The former was to be accomplished by bringing more foreign capital into the oil business, a step that Alfonsín had begun a few years earlier. For the rest of the industrial sector, emphasis was to be placed on encouraging firms that produced goods primarily for export.

Menem hoped these measures would impress the IMF. Annual interest on the debt was U.S.\$6 billion, but the trade surplus was only U.S.\$3.5 billion. If Argentina were to begin paying interest again, it would need the financing that was denied

⁵*La Nación* (Buenos Aires), July 23, 1989.

⁶*The New York Times*, September 11, 1989.

⁷*The New York Times*, September 15, 1989.

Alfonsín during his last year. Menem promised the IMF that he would lower inflation to 15 percent annually, reduce the fiscal deficit to 1.8 percent of the GNP and stimulate the economy to grow at around 6 percent in 1990, incredibly ambitious objectives. But without such promises, he stood no chance of receiving IMF stand-by loans.⁸

Menem had little choice; he had to force Argentines to accept austerity, unpopular as that might be. Austerity was not a Peronist solution, but it was dictated by an ugly reality that everyone recognized. In his own defense, Menem never tired of insisting that it was "better that people insult me for a year and applaud me for a century, rather than the other way around."⁹ This was a different Menem from the Menem who, as governor of La Rioja province between 1983 and 1987, had more than doubled the number of people on the provincial payroll and issued worthless bonds to help pay their wages.

Predictably, organized labor was not enthusiastic about Menem's economics, so he tried to head off protests that might undermine him. Since Saul Ubaldini, the secretary general of the General Confederation of Labor (CGT), had thrived on leading the opposition to similar measures undertaken by Alfonsín, Menem wants him replaced. Replacing Ubaldini will not be easy, however, since much of Ubaldini's support comes from the powerful Metal Workers Union headed by Lorenzo Miguel, one of Menem's supporters in the election.

Menem cannot afford to alienate labor leaders the way that Isabel Perón did a decade earlier, so he has chosen to work quietly through CGT factions that share his desire to evict Ubaldini. Menem's dilemma is obvious: a united movement that supports him will make him nearly invulnerable politically, but a movement that turns against him could quickly ruin his economic rescue operation. Similarly, a divided CGT might find it hard to resist Menem, but division risks radicalizing opposing factions that might feel compelled to prove their militancy to the rank and file. That is why Menem has chosen to be careful in dealing with the CGT's leadership, at first doing little more than privately making his preference for Ubaldini's replacement well-known.¹⁰

MILITARY AFFAIRS

Many officers began 1989 unhappily. They claimed to support constitutional government, but they wanted better treatment from civilian authorities. For some, the issue was still their dis-

satisfaction with the prosecution and conviction of officers who had killed several thousand civilians over a decade ago. Alfonsín and the Congress responded to their complaints in 1987 by prohibiting the trial of any except the most senior officers, but this action had not satisfied them. In addition, many younger officers were unhappy with the generals and admirals who refused to reorganize and modernize their services in the wake of the Falklands (Malvinas) War, and with Alfonsín's reluctance to make the military do so.

All this provoked another rebellion within the army in December, 1988, led by Colonel Mohammed Ali Seineldin. After seizing a base near Buenos Aires and demanding that Alfonsín dismiss the army's chief of staff, raise military salaries and grant amnesty to all officers, Seineldin negotiated with his commanders and surrendered to their custody after two days of discussion. A few weeks later, Alfonsín dismissed the army chief of staff, General José Ciar-di, but went no further. Seineldin, a brash right winger, is popular with some soldiers less because of his ideology than because of his opposition to the military leadership. Other officers will probably voice their demands from time to time, so Menem is trying to find ways to head them off.

Civilians are not immune to organized violence in Argentina, as they demonstrated on January 23, 1989, when a few dozen individuals surprised the nation by invading the Third Army Regiment based at La Tablada, just outside Buenos Aires. Well-armed, the group, which called itself the Movement for the Fatherland, drove onto the base in cars and trucks and fired on those who resisted them, gaining control over portions of the base until they were routed the next day by armed units. Their affiliation with clandestine organizations on the extreme left was evident, but their motives are still unclear after several months of trials. According to one theory, they feared that officers like Seineldin were about to strike again and implement a coup against the government, so they attacked the base in an attempt to convince other civilians to join them. However, there is no evidence that a coup was contemplated, nor that the attackers were trying to mobilize public opinion. Another theory claims that the civilians were tricked into attacking by the military itself in order to remind Argentines that the armed forces were the only group that pre-

(Continued on page 34)

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⁸Buenos Aires Herald, September 17, 1989, p. 2.

⁹Washington Post National Weekly Edition, July 17-23, 1989, p. 15.

¹⁰Buenos Aires Herald, August 13, 1989, p. 3.

"The involvement of the United States and other external actors will be critical in any effort to build and maintain democratic institutions in Panama. Should the Bush administration merely settle for [Panamanian de facto leader General Manuel Antonio] Noriega's removal, the future of democracy will remain in question."

Military Retrenchment and Decay in Panama

BY STEVE C. ROPP

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PANAMA has been in a state of profound political crisis since 1987. During the spring of 1987, a rift within the Defense Forces (PDF) triggered public demonstrations against the civil-military regime headed by Panama's de facto leader, General Manuel Antonio Noriega. Following a year of increasing tensions between the administration of United States President Ronald Reagan and the Panamanian government, Noriega fired civilian President Eric Arturo Delvalle in February, 1988. The United States reacted by putting into place economic sanctions aimed at toppling Noriega and refusing to recognize Delvalle's successor, Manuel Solis Palma.

However, by May, 1988, there was a general consensus that these United States policies were unlikely to accomplish their intended goal. General Noriega survived an attempted coup in March, 1988, led by majors within the PDF, and he managed to scrape together the financial resources to survive the economic sanctions. As presidential elections in the United States drew closer, American officials became less and less willing to talk about failed policy initiatives that had become a major political embarrassment. Efforts to remove Noriega were put on hold, awaiting the election of a new United States President.

Once it became clear that economic sanctions were unlikely to unseat Noriega in the short run, opponents of the regime turned their attention to the May, 1989, elections in Panama as the primary vehicle for effecting political change. After the annulment of these elections by the regime, the policy focus shifted to efforts by the Organization of American States (OAS) to encourage a mediated settlement. These efforts also ended in failure and in military retrenchment behind a facade of new civilian leadership.

Although General Noriega had apparently reinforced his grip on power by the fall of 1989, a second coup attempt by mid-level officers in early October, 1989, revealed serious weaknesses. For the first time since the military assumed power in 1968,

combat units had been used against the leadership of the institution itself, and a number of officers were executed. Clearly, this signaled the beginning of the end for Noriega.

Nevertheless, the most salient fact about 1989 was that Noriega had managed to survive almost three years of United States pressure. Why has Panama's political crisis lasted so long? And why have the various attempts by the civilian opposition, the United States and the OAS failed to promote political change in Panama? Events of the past year may shed light on these questions.

The military regime's preparation for the 1989 elections began during the summer of 1988, when a Consultation and Political Advisory Commission was formed within the civilian executive branch. This 16-member commission included representatives from the progovernment political parties, mass organizations associated with the regime and the Defense Forces. Its primary purpose was to coordinate the regime's electoral strategy and (as can be seen in retrospect) to design the series of fraudulent measures intended to deny the civilian opposition a victory at the polls.

Panama's May elections were the first to be held since 1984, when Noriega's hand-picked candidate, Nicolas Ardito Barletta, assumed the presidency after a fraudulent vote count. During the election, the Reagan administration had been willing to look the other way because of Barletta's close ties to Secretary of State George Shultz and Panamanian support for United States policies in Central America. However, after 1984 various developments, including increased concern for Noriega's drug dealings, led newly inaugurated United States President George Bush to support the democratic process more strenuously. In February, he signed a secret presidential "finding" that provided \$10 million to the Panamanian opposition for election-related activities.¹

As was the case in 1984, two broad coalitions were formed to contest the elections. The government coalition (COLINA) consisted of the official Democratic Revolutionary party (PRD) and seven

¹Washington Post, April 23, 1989.

smaller parties. The opposition coalition (ADOC) included the Christian Democratic party and the Authentic Liberal party, both of which served in part as "surrogates" for the old Panamenista party of long-time strongman Arnulfo Arias. The government took advantage of Arias's death in August, 1988, to foster a split within the Panamenista ranks, hoping thereby to reduce the number of votes his followers would give to the opposition coalition.²

COLINA's candidate for the presidency was Carlos Duque, a man with close personal ties to General Noriega. As manager of Transit S.A., he channeled the lucrative profits generated by the Colon Free Trade Zone into the coffers of the Defense Forces. Ramon Sieiro, the candidate for first Vice President, was Noriega's brother-in-law and the head of another profit-generating firm closely associated with the Defense Forces. Lawyer Guillermo Endara, who had long been associated with Arnulfo Arias's Panamenista party, headed the ADOC ticket.

Aware of the domestic difficulties his predecessor had encountered in dealing with Central American issues, President Bush adopted a bipartisan approach to Panama. Secretary of State James Baker consulted extensively with congressional Democrats and former United States President Jimmy Carter was asked to play a prominent role in monitoring the elections. Because there was every expectation that Noriega would rig the elections, the Bush administration not only supported the independent international election team led by former Presidents Jimmy Carter and Gerald Ford, but it also dispatched its own official 14-member delegation.

THE MAY ELECTION

Election day itself went fairly smoothly, although reports began to filter in concerning irregularities at the polling places. On May 8, the Electoral Tribunal released partial results, showing that the official government slate was receiving 51 percent of the vote and the opposition, 45 percent. These early returns were quickly disputed by the Catholic Church, whose exit polls showed the opposition leading by a three-to-one margin.

On May 10, the situation turned violent. An opposition demonstration protesting electoral fraud was attacked by members of the paramilitary Dignity Battalions. Endara and vice presidential candidate Guillermo Ford were hospitalized after they were attacked with steel pipes and baseball bats. The next day, members of the government and the

Defense Forces met at the presidential palace. Given the overwhelming and surprising extent of opposition support, they decided to annul the elections. The Electoral Tribunal issued a decree of annulment, citing as reasons missing tally sheets and the interference of foreign observers.

Following the annulment, President Carlos Andrés Pérez of Venezuela requested that the OAS meet in emergency session to deal with the crisis in Panama because he was afraid that the United States would once again revert to unilateral action. Pérez's fears of renewed United States action were not misplaced. President Bush announced that additional troops would be dispatched to Panama to augment the 10,300 military personnel already there. Approximately 1,900 light infantry troops and Marines soon arrived, accompanied by armored personnel carriers and light armored vehicles.

On May 17, the OAS foreign ministers met in Washington, D.C., for the first time to discuss developments. They passed a resolution condemning the Noriega regime for annulling the elections and decided to send an official delegation to Panama. The OAS delegation visited Panama from May 23 to May 27 and met with General Noriega and leaders of the various political parties. However, little progress was made because of Noriega's insistence that the PDF would not participate in the negotiations. After a second meeting of the foreign ministers in Washington, D.C., the delegation was sent back to Panama.

The OAS delegation's third visit to Panama in mid-July was somewhat more successful. Noriega finally agreed to tripartite talks between representatives of COLINA, ADOC and the PDF. However, little substantive progress was made toward the development of formulas to facilitate national reconciliation and a transfer of power. The PDF representatives did agree to consider a proposal for Noriega to step down as commander in chief if two top United States generals were retired and if economic sanctions were lifted.³

When the OAS foreign ministers met for the third time in Washington, D.C., on July 19, there was some hope that a breakthrough had been achieved because of the PDF's willingness to participate in the negotiations. With these hopes in mind, the foreign ministers once again extended the negotiating team's mandate until August 30.

By late August, it had become clear that the OAS mission had failed. Although the foreign ministers expressed optimism about the prospects for democracy in Panama, no formula acceptable to all parties was developed. The United States State Department argued that there was no basis for optimism and the Panamanian opposition criticized

²The other two major parties affiliated with ADOC were the Christian Democrats (PDC) and the National Liberal Republican Movement (MOLIRENA).

³*La Prensa Digest*, July 28, 1989.

the OAS for having given in to Noriega's demands for new elections.

Panama's Council of State announced on August 31 that Francisco Rodríguez would serve as the President of a new provisional government. He had occupied the position of national comptroller since 1983 and had been a high school classmate of General Noriega's. It was also announced that the National Assembly had been abolished and replaced by a 41-member National Legislative Commission. The government agreed to consider the feasibility of holding new elections after six months.

In response to these announcements, the United States cut off all diplomatic relations with Panama, closed some loopholes in the economic sanctions and reinforced the ban on sugar imports. The United States embassy released the names of 150 close business associates of General Noriega's who were to be put on a "blacklist"; these individuals and the companies with whom they were associated were prohibited from conducting business with either the Panama Canal Commission or the United States military installations in Panama.⁴

During 1989, General Noriega and his closest allies in the officer corps attempted to consolidate their grip over the Defense Forces. The civilian opposition became even more alienated from the political process after the annulment of the elections and the failure to gain OAS support for recognition of their May electoral victory. In 1989, also, the potential for direct military confrontation between the United States and Panama reached an extremely high level. Minor troop clashes threatened to escalate into outright war; the October coup attempt had a similar potential.

After the failed military coup of March, 1988, Noriega created the strategic Military Council. Dominated by mid-level officers personally loyal to him, its purpose was to counterbalance the influence of untrustworthy officers on the General Staff. In August, 1989, Noriega attempted further to consolidate his position within the PDF by retiring key members of the General Staff and replacing them with officers promoted from the Strategic Military Council. In addition to restructuring the High Command, he took steps to ensure that junior officers remained personally loyal to him. There

were many promotions and "loyalty seminars" were conducted for lieutenants and captains. The PDF also created its own officer training school to free the military from any vestiges of influence by the United States.⁵

Ironically, General Noriega's earlier moves to consolidate his position within the PDF may have contributed to the October coup attempt. Some mid-level officers on the Strategic Military Council received promotions in August; others did not. And the spate of promotions and retirements destroyed the personal lines of protection and support that senior members of the General Staff extended to junior officers. Thus, junior officers may have come to see that their own positions are increasingly vulnerable.

The civilian opposition was further weakened during 1989 after its failure to achieve control of the government through the democratic process. Although the opposition had clearly won the May balloting, the OAS called for new elections. The opposition was critical not only of the OAS but also of the United States for supporting policies that appeared to be aimed more at removing Noriega than at promoting democracy in Panama.⁶ These charges gained credence from President Bush's constant reminders that the United States quarrel was not with the PDF itself but with General Noriega.

By the fall of 1989, the opposition had begun to doubt the wisdom of relying on external actors—including the United States—to resolve Panama's internal crisis. Since President Delvalle's term had expired and since the Bush administration showed little inclination to recognize the winning presidential candidate as his successor, the government-in-exile was dismantled. As a fallback position, the opposition adopted a policy of nonviolent resistance. Panamanians were urged to deny the government as much revenue as possible, and Endara began a hunger strike.

One bright spot for the opposition was the increasingly active role played by the Catholic Church. In October, 1988, the Church sent a letter to the president of Panama's Supreme Court that severely criticized the justice system for its treatment of prisoners and for its tolerance of the regime's human rights violations. Before the May elections, Church officials announced that they would place observers at the polling places. And soon after the polls closed, they released exit data showing that the opposition had won by a three-to-one margin.⁷

The possibility of a direct violent confrontation between Panamanian and United States troops also increased during 1989. After President Bush's dispatch of additional military personnel to Panama on May 12, a number of military exercises were

⁴*Laramie Daily Boomerang*, September 5, 1989; and *Washington Post*, September 13, 1989.

⁵Foreign Broadcast Information Service, *Latin America Daily Report* (cited as FBIS), November 23, 1988, January 18, 1989, and August 14, 1989.

⁶FBIS, July 31, 1989.

⁷The Catholic Church also criticized the OAS for its decision to call for new elections. Because of his outspoken position in favor of democracy and human rights, Archbishop Marcos McGrath was publicly threatened on numerous occasions in the Noriega-controlled press. FBIS, August 9 and 11, 1989.

held. United States Marines and soldiers from the Seventh Light Infantry participated in "Nimrod Dancer," designed to test the military's ability to protect American lives and property. The Marines also conducted a mock amphibious assault on a beach located near Panama City.⁸

While these military exercises heightened tensions between American troops and the PDF, Operation "Lightning Thrust" had the additional effect of influencing international negotiations. Aimed at testing the military's ability to secure United States defense sites, this operation coincided with the OAS delegation's second visit to Panama. General Noriega was able to appeal to the OAS's traditional noninterventionist instincts by highlighting the very tangible nature of the United States threat to invade.

These military exercises and others conducted by the PDF served as the prelude for a serious incident that occurred on August 11. Following the arrest of a United States military policeman for allegedly patrolling near PDF headquarters, United States armored vehicles blocked the entrance to a military installation jointly controlled by United States and Panamanian troops. When United States soldiers took the weapons from two Panamanian gate guards, a United States soldier was punched in the throat. This and other incidents kept tensions between the two armed forces extremely high during the summer.

The implied threat of United States military intervention or the kidnapping of Noriega led the PDF to take a series of countermeasures. A military exercise called "Oust the Intruder" was conducted in Panama City and along the Costa Rican border. In an editorial, the official newspaper *Crítica* announced that President Bush was "playing with fire" when he threatened to kidnap Noriega. Any such attempt would lead to the death of United States citizens, the loss of protection for United States property and the summary trials and executions of key leaders of the civilian opposition.⁹ Threats to sabotage the Panama Canal were also made.

HOW NORIEGA SURVIVED

In early 1988, United States Assistant Secretary of State Elliott Abrams said that General Noriega

⁸*Tropic Times*, May 24 and May 26, 1989.

⁹*Crítica* (Panama), August 23, 1989.

¹⁰See Margaret E. Scranton, "Limits of U.S. Leverage: How Panama Outmaneuvered the United States," paper delivered at the 1989 Annual Meeting of the American Political Science Association, Atlanta, Georgia, September 3, 1989.

¹¹While many members of Congress tended to blame the Reagan administration for the failure of economic sanctions, it should be noted that they were implemented with full legislative support. On March 31, the Senate approved a resolution calling for sanctions by a vote of 92 to 1.

¹²*The New York Times*, September 27, 1978.

was clinging to power "by his fingertips." By October, 1989, he appeared to be holding on with one badly burned hand. Noriega's ability to survive the challenges to his leadership during 1989 can be explained by many of the same factors that helped his cause during 1988. He demonstrated remarkable determination in quelling challenges to his leadership from within the PDF, expanded the paramilitary Dignity Battalions rapidly, and scraped together sufficient funds to meet the government payroll. While the civilian opposition and the Catholic Church launched a major campaign to unseat him, they lacked the necessary power. The unwillingness of organized labor to become deeply involved in opposition activities was critical. Although they were reluctant to support Noriega, they deeply distrusted the opposition leaders.

In addition, United States policy-makers failed to devise successful measures for forcing Noriega to leave.¹⁰ Encouraged by its success in removing authoritarian leaders in the Philippines and in Haiti, the Reagan administration and Congress had optimistically implemented economic sanctions in April, 1988.¹¹ The inability of these sanctions to dislodge Noriega led to a period of dismay and finger-pointing that served as a prelude to the November United States presidential elections.

The failure to sustain a workable policy toward Panama in the fall of 1988 is largely attributable to the fact that the Republicans wanted to distance their presidential candidate from the Noriega issue. As a former director of the Central Intelligence Agency (CIA) and as Ronald Reagan's Vice President, George Bush had access to damaging information about Noriega. The Democrats suggested that Bush knew about Noriega's drug dealings as early as the 1970's but chose to ignore this information because Noriega was an intelligence asset.¹²

Vice President Bush's strategy for dealing with Noriega became clear in May, 1988, when State Department negotiators raised the possibility of dropping the drug indictments against the General. Fearing an electoral backlash, Bush's national security adviser Donald Gregg strongly opposed dropping the indictments in a meeting with staff members of the National Security Council. Bush then publicly distanced himself from the administration's position in a speech delivered in Los Angeles.

By July, the Reagan administration had succeed-

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"After Ortega's decision to end the cease-fire . . . Nicaragua's international image deteriorated. . . . [But] Nicaragua may yet be able to emerge from the nightmare of the past and, in 1990, begin to improve the desperate living conditions of its people."

Nicaragua: A Glimmer of Hope?

BY RICHARD L. MILLETT

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DURING most of the 1980's, Nicaragua's economy was declining, its politics were increasingly polarized and its territory was devastated by the conflict between the Sandinista government and the United States-supported armed resistance, popularly known as the contras. The hopes that followed the 1979 overthrow of dictator Anastasio Somoza Debayle, the last ruler in the 40-year Somoza family dynasty, were replaced by a climate of mounting despair. Peace negotiations, which began in 1987, offered some prospects for reversing or at least halting this trend, but the overall situation remained grim. By the fall of 1989, however, Nicaraguans had reason to believe that the worst was past. While conditions were still desperate, there was at least a glimmer of hope for better times.

For the ruling Sandinista National Liberation Front (FSLN), the best news in 1988 was the steady weakening of the contras. Six years of war had cost Nicaragua 60,000 casualties and left the country with an estimated 350,000 internal refugees. By the fall of 1988, the bulk of the 12,000 contra fighters had withdrawn to their base camps in Honduras, in many cases taking their civilian supporters with them. Despite urging from United States President Ronald Reagan, the United States Congress refused to provide them with further arms and munitions. President Reagan ultimately gave up the struggle, in part because George Bush's presidential campaign managers did not want to discuss the

issue. While the Republican candidate, in contrast to his Democratic opponent, proclaimed his support for the contras, it was clear that he lacked the faith in and enthusiasm for their cause that had been characteristic of the Reagan presidency.

The contras welcomed George Bush's victory; from their sanctuaries in Honduras and offices in Miami, they vowed to continue their struggle, but their fortunes were rapidly declining. This was confirmed in December, 1988, when Secretary of State-designate James Baker assured the Democratic leadership of Congress that the new President would not push for military aid for the insurgents.¹

Winding down the contra war, however, did nothing to revive Nicaragua's faltering economy. 1988 was the worst year for the economy since the FSLN took power. The value of exports fell 24.2 percent and their total value was only 42 percent of the value for 1981. This reduced volume paid for only one-fourth of Nicaragua's imports. The gross national product (GNP) declined by 9 percent and inflation went out of control. Estimates of the level of inflation ranged from 7,748 percent to 27,000 percent, ranking with the most severe inflation in world history. The foreign debt approached \$8 billion, and 21 percent of working-age Nicaraguans had no regular job. Efforts to stem the economic collapse by dismissing 10,000 government employees and slashing subsidies for food only added to mass misery. By some estimates, the average worker's purchasing power dropped by more than 90 percent during 1988; one study claimed that the per capita GDP (gross domestic product) had fallen below that of Haiti.²

These problems were compounded in October when Nicaragua was hit by Hurricane Joan. The resulting damage may have exceeded the damage caused by the 1972 Managua earthquake. The United Nations (UN) estimated that the hurricane cost Nicaragua at least \$840 million. While the storm left only 432 casualties, 310,000 people were evacuated, 230,000 saw their homes destroyed or seriously damaged, and many more saw their ability to earn a living destroyed.³ Overall, the storm caused a further reduction of 2 percent in the

¹David Hoffman and Helen Dewar, "Central America: Not Looking for a Fight," *Washington Post National Weekly Edition*, December 26, 1988-January 1, 1989, p. 18.

²*Christian Science Monitor*, January 23, 1989, p. 2, and January 25, 1989, p. 2; *St. Louis Post Dispatch*, June 28, 1989, p. 1B; *Central America Report* (Guatemala) (hereafter cited as *CAR*), July 21, 1989, p. 218; United Nations Economic Commission for Latin America, *Preliminary Overview of the Latin American Economy, 1988*, January 3, 1989, pp. 16-17; Foreign Broadcast Information Service, *Latin America, Daily Report* (cited as *FBIS*), December 16, 1988, p. 30.

³United Nations Economic Commission for Latin America and the Caribbean, *Damage Caused by Hurricane Joan in Nicaragua: Its Effect on Economic Development and Living Conditions, and Requirements for Rehabilitation and Reconstruction*, December 2, 1988, pp. 2-3.

nation's GDP. All this made economic recovery — or at least avoiding economic collapse — Nicaragua's highest priority in 1989.

In January, President Daniel Ortega Saavedra announced a program of severe austerity that was designed to curb inflation and restore some economic stability. The budget was cut by over 40 percent, and plans were made to reduce civil and military payrolls by 30,000. Even such favored areas as education and the police were severely curtailed. The shortage of hard currency was so severe that the government found it necessary to close 20 movie theaters to save on the foreign currency used to procure films.⁴

This effort reduced the rate of inflation, but did nothing to halt the decline in living standards or to restore popular support for the regime. More and more Nicaraguans tried to leave the country. One-third of the nation's college-educated professionals had already fled by the end of 1988, joined by hundreds of thousands of their less well-educated fellow citizens.⁵

In February, 1989, this dilemma led President Ortega to sign a joint declaration with the four other Central American Presidents promising to move up scheduled elections for President, the National Assembly, municipal officials and members of the Central American Parliament from November, 1990, to February, 1990, to invite election observers from the UN and the Organization of American States (OAS), to amend the media and electoral laws (allowing six months of open campaigning before the election) and to grant amnesty to thousands of prisoners, including former National Guardsmen held since the overthrow of the Somozas. In return, the other Presidents agreed to draw up a plan for the demobilization of the remaining contra forces.⁶

The contras, the internal political opposition and the United States were all unprepared for this sudden turn of events. The Bush administration immediately began to seek funds for humanitarian aid to the contras, arguing that only this could pressure the Sandinistas into allowing a meaningful electoral process. The opposition started negotiations with the government on amendments to the electoral law. The contras continued to demand that the Sandinistas negotiate with them, but seemed to have little strength from which to negotiate, since

Honduras was committed to their expulsion from its territory as a result of the February agreements.

Within Nicaragua, the government moved rapidly to release 1,900 former National Guardsmen from the prisons in which they had been held since 1979. They also opened negotiations with the internal opposition, which was divided into 22 political parties, the majority of which lacked legal status. The opposition, which also included most of the organized private sector, several small labor unions and the newspaper *La Prensa*, was ill-prepared for these developments. As Mauricio Diaz, leader of the Popular Social Christian party, admitted, "We have never had a program for governing even though we insist the Sandinistas aren't fit to govern. We have no plans or programs for anything."⁷

For the opposition, the task was daunting. Opposition parties were deeply divided and short of funds, equipment and grass-roots organization. The government controlled the schools and the military, dominated the media and could use the resources of the state to promote its own cause. The opposition had to define its relationship to those who had been involved with the contras and to the United States. This task was further complicated when former contra supporters, notably Alfredo Cesar and Alfonso Robelo, returned to Nicaragua and announced their intention to become active in internal politics. The opposition's dire need for funds made ties with the United States attractive, but Bush administration support for the contras, combined with the Sandinistas' ongoing efforts to portray themselves as the defenders of national sovereignty and the opposition as puppets of Washington, made acceptance of such aid very risky.

The most important task was unification. An umbrella organization already existed for much of the opposition and efforts were made to expand it. But personal and ideological divisions, the continuous emergence of new political parties and factions and the difficult task of agreeing on a common slate of candidates made achieving unity a formidable undertaking. There were five distinct factions of the old Conservative party, four parties with ties to the old Liberal party, four parties with roots in the Christian Democratic tradition, at least three parties that claimed to be to the left of the Sandinistas and six other parties, including the old-line Communists within the Nicaraguan Socialist party.⁸

AID FOR THE CONTRAS

The picture was further clouded by the success of the Bush administration in continuing funding for the contras. Pressured by the right wing of its own party, the administration could not abandon the

⁴CAR, February 24, 1989, p. 61; *The New York Times*, January 31, 1989, pp. 1 and 4.

⁵FBIS, November 29, 1988, p. 19, and December 16, 1988, p. 30; *Christian Science Monitor*, January 23, 1989, p. 2; *The New York Times*, January 8, 1989, p. 3E.

⁶*Joint Declaration of the Central American Presidents, Adopted in Costa del Sol, El Salvador*, February 14, 1989.

⁷*Christian Science Monitor*, February 27, 1989, p. 4.

⁸CAR, May 12, 1989, p. 12.

contras, but had little faith in their capacity and no desire to initiate a major conflict with Congress over this issue. In March, 1989, negotiations with the Democratic leadership produced a compromise that Congress approved the following month. This provided \$49.7 million in food, clothing and medicine for the contras and their families through February, 1990. The bill also included a provision of \$4.16 million to be given to Nicaragua's Catholic Church for civilian relief. The bill angered the Sandinistas and embarrassed the internal opposition and United States allies in Central America, but it did remove the issue of lethal aid to the contras from the 1989 American political agenda and provided strong evidence that the United States was winding down its commitment to these forces.

The contras were not the only issue in Nicaragua's relations with the United States. The United States economic embargo, the blocking of credits from multilateral financial institutions, allegations of Central Intelligence Agency (CIA) support for the opposition and ongoing disputes over visas for United States and Nicaraguan diplomatic personnel further complicated relations. The Bush administration was worried by Nicaragua's support for El Salvador's insurgents, its growing ties with Panama (including arms shipments by the Sandinistas to the forces of Panamanian strongman General Manuel Antonio Noriega) and the Sandinistas' close ties with Cuba and the Soviet Union.

VISA PROBLEMS

The visa issue had been a major problem since the Nicaraguan expulsion of United States Ambassador Richard Melton and the United States expulsion of Nicaraguan Ambassador Carlos Tunnerman in 1988. Reagan administration restrictions on visas for Nicaraguan officials led President Ortega to cancel a scheduled 1988 trip to the UN. At the same time, Nicaragua refused to grant visas for the new staff at the United States embassy in Managua. In January, 1989, as a gesture to the new Bush administration, Nicaragua allowed some visas and, in May, both sides were apparently returning to normal procedures for dealing with such matters. But a few days later, Nicaragua expelled two diplomats for alleged interference in its internal affairs. The United States retaliated by expelling two Nicaraguan diplomats. All this served to rekindle old disputes, although relations never deteriorated to the low point of late 1988. But as late as October, 1989, President Ortega and his retinue

were still having problems securing visas for a trip to the United States to meet with former President Jimmy Carter.

Despite the weakness of the contras and the divisions of the internal opposition, things did not go well for the Sandinistas in the spring and early summer of 1989. At first, the new austerity measures and the February agreement of the Central American Presidents seemed to be having a salutary effect. The monthly inflation rate, which had been 126.6 percent for December, 1988, fell to 46 percent for February, 1989, and to 20 percent for March, 1989. A system of mini-devaluations every Monday, adopted in April, helped to keep inflation near this level through the spring.

At the same time, a settlement of the compensation dispute that followed the 1988 expropriation of Nicaragua's largest sugar producer seemed to reduce tensions with the private sector slightly. But when private growers complained about government policies and refused to cooperate with new programs, a wave of expropriations followed. In June, President Ortega declared,

We have the instruments of power to finish off whole sectors of our society quickly. We have made concessions to them, but we know we are living with scorpions in our shirt. If the scorpion[s] get too excited, we'll crush them.⁹

Ortega's remarks reflected mounting frustration over the economy, but they served only to alienate the private sector further. On June 12, the government devalued the cordoba by over 100 percent, signaling a return to higher inflation and the essential failure of its economic programs. As economist Richard Feinberg explained, the Sandinistas had

proved incapable of fashioning a workable economic policy. Efforts at a centrally planned economy collapsed under the weight of bureaucratic incompetence and internal ideological divisions which have not been overcome. But efforts to build a quasi-market economy have floundered as well; the Sandinistas have been unable to decide on the proper relationship between government and the private sector and between administrative controls and market mechanisms. As a result of a decade of confusing signals and unkept promises, the Sandinistas have earned the profound distrust of the private sector.¹⁰

Negotiations with the opposition over the elections were also making little progress. In April, the Sandinista-controlled Assembly ratified the government's proposed changes in the electoral and media codes. In response, 15 opposition parties issued a statement charging that the reforms left the government in effective control of the Supreme Electoral Council, failed to establish a reliable voter registra-

⁹Julia Preston, "Nicaragua's 10-Year Transformation," *Washington Post National Weekly Edition*, July 17-22, 1989, p. 7.

¹⁰Richard E. Feinberg, "Central American Medium-Term Economic Prospects," unpublished manuscript, April, 1989, p. 7.

tion system and continued to restrict freedom of speech and access to the media.¹¹

LOOKING FOR FOREIGN AID

These developments gave credibility to United States criticisms of the electoral process and undermined Sandinista efforts to secure new funding abroad. A spring, 1988, trip by President Ortega to Europe in search of \$250 million in new assistance produced only \$30 million in cash and \$20 million in material assistance. It also led to pressures for further political concessions by the government, with the West Germans announcing that renewed economic aid would depend on free and fair elections in Nicaragua.¹²

Other foreign initiatives also fared poorly. Reports of Japanese interest in the construction of a canal through Nicaragua dissolved in the face of Japanese government denials of any such interest. The demobilization of the contra's, agreed on at Costa del Sol, remained stalled, in part because Honduras refused to meet with Nicaragua as long as Nicaragua pursued its World Court suit against Honduras. The Sandinistas' support for General Noriega, following his bloody annulment of Panama's 1989 elections, further isolated Nicaragua and gave additional credibility to doubts about Ortega's commitment to free elections.

Even relations with the Soviet Union showed signs of strain. In May, the Soviet Union pledged to halt arms shipments to Nicaragua. It was increasingly clear, especially in the wake of Soviet President Mikhail Gorbachev's visit to Cuba, that little new economic aid would be forthcoming. The Soviet Union appeared increasingly interested in reducing its involvement in Central America and encouraging the Sandinistas to mend relations with the United States and with the internal opposition.

The summer produced no improvement. A June effort to persuade Miguel Cardinal Obando y Bravo to promote talks with the United States failed when both the Cardinal and the United States rejected the idea. A few days later, Mexico and Venezuela announced that they were suspending oil shipments to Nicaragua because of Nicaragua's failure to make payments for previous shipments.¹³

On July 19, 1989, the government celebrated the tenth anniversary of the Sandinista assumption of power. The ceremonies were hampered by the lack of funds, by a terrorist grenade attack in Managua

a few days before the anniversary and by the conspicuous absence of foreign heads of state. Despite the virtual collapse of the armed opposition, the Sandinistas were apparently in danger of losing power. A series of public opinion polls, although differing in many ways, showed the Sandinistas with only minority support. One poll, conducted by the opposition newspaper *La Prensa*, claimed that 49 percent of all Nicaraguans would vote for a united opposition party, 25 percent would vote for the Sandinistas and 24 percent would abstain. But the polls also seemed to indicate that Ortega's popularity exceeded that of the FSLN, that no single opposition figure could match his level of support and that much of the population was either undecided or apathetic.¹⁴

Encouraged by signs of Sandinista vulnerability, the opposition began to unify. In early June, 14 opposition parties announced the formation of the National Opposition Union (UNO) with a commitment to select a single presidential candidate and to field a unified slate of legislative and municipal candidates. Although four small factions soon dropped out of UNO, the opposition had at least the potential for mounting a very serious challenge to the FSLN.¹⁵

All this helped convince the Sandinistas that further concessions were necessary. The Supreme Electoral Council, reversing an earlier decision, legalized four more opposition parties. The government pressed forward with plans for OAS and United Nations observers for the 1990 elections. Favorable responses were given to former President Carter's proposal to form his own group of observers. Most significantly, on the eve of another meeting of Central American Presidents, the government agreed to further dialogue with the opposition on conditions for the elections.

These meetings led to agreements that surprised most observers and produced consternation among the contras and their supporters in the United States. The internal opposition joined the FSLN in calling for the demobilization and voluntary repatriation of the contras in Honduras and urging foreign nations to "abstain from covert activities in the Nicaraguan electoral process." In return, the government agreed to reform the Public Media and Social Communication Law, to suspend the military draft from September, 1989, through the elections, to rescind laws providing severe penalties for "inciting unrest," to enact a Civil Service Law, to end expropriations of private property for political

(Continued on page 35)

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¹¹FBIS, April 28, 1989, p. 26.

¹²CAR, May, 19, 1989, pp. 148-150; *Miami Herald*, August 20, 1989, p. 19.

¹³FBIS, June 23, 1989, pp. 21-22, and July 5, 1989, p. 24.

¹⁴FBIS, May 2, 1989, pp. 14-15; June 22, 1989, p. 23; July 24, 1989, pp. 30-32.

¹⁵CAR, June 16, 1989, pp. 177-178.

"The 'lost decade' of the 1980's has left most of South America at the margin of global economic and financial change, and the next Brazilian President will need a new strategy to 'catch up' and compete."

The Year of Elections in Brazil

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DURING 1989 Brazil was totally preoccupied with the national campaign for the presidency. The November 15 elections were the first direct balloting for chief executive since 1960.

The campaign unfolded in the midst of a steadily deteriorating economic and financial situation, which fueled speculation that pressures would inexorably build to transfer political power from incumbent President José Sarney to his successor before the scheduled March 15, 1990, date, reflecting events in Argentina earlier in 1989 when Raúl Alfonsín was forced to cede his presidential mandate to Carlos Saúl Menem six months before the inauguration date.

Brazil entered 1989 saddled with the highest external debt in the developing world (\$114.9 billion), the largest inflation rate in its history (933.6 percent in 1988), negative growth (minus 0.3 percent in 1988) and capital flight estimated at \$7.5 billion during 1988, an unprecedented figure for Brazil.¹ The economic crisis was aggravated by the political vacuum associated with President Sarney's lack of credibility. In public opinion polls, he received single-digit approval ratings. Sarney's feeble efforts to tackle economic problems were further stymied by his lame-duck status and a recalcitrant Congress. Given such political immobilism, Brazil "muddled through" the economic and political

crises, hoping that a new administration would provide the bold leadership necessary to address the pressing problems.

On January 14, 1989, when most Brazilians were enjoying their summer vacations, Sarney announced the Summer Package, an anti-inflation program that froze prices and wages, devalued the currency by 17 percent and introduced a new cruzado—equivalent to 1,000 old cruzados. The package was the third of its kind. The two previous programs were the 1986 Cruzado Plan and the 1987 Bresser Plan; both had failed miserably.* Finance Minister Maílson Ferreira da Nóbrega claimed that the Summer Package was the toughest anti-inflation plan in Brazil's history. Before the freeze, the government announced price increases for air fares (up 33 percent), gasoline (19.9 percent), alcohol fuel for cars (30.5 percent), electricity (14.9 percent), postal service (63.5 percent) and telephone charges (187.5 percent). In addition, Sarney promised to fire 60,000 federal workers and to eliminate five government ministries and 42 state companies.²

Many economists agreed that the Summer Package was better than the previous plans, but the "new and improved" version was shorter-lived than its precursors and, in the long run, it failed to curb inflation. In the short term, monthly inflation rates rose more rapidly than they had in any other post-freeze period. By the end of March, the government had raised prices on some basic foods and tariffs on public sector services. In May, the government allowed for across-the-board price increases, and the monthly rate of inflation reached 10 percent. By the end of June, the rate had skyrocketed to 25 percent. Most prices were decontrolled in August, and by October, the annualized rate of inflation reached 1,200 percent—the highest in Brazil's history. November and December are traditionally the months of highest inflation in Brazil and, given the political uncertainties and projections of negative growth, some economists feared the onset of hyperinflation

¹Capital flight estimate by Professor Paulo Rabello de Castro, at the Getulio Vargas Foundation in Rio de Janeiro. In 1987, the figure was \$3.2 billion. Overall, Brazilians have invested \$40 billion abroad—much of it from the informal economy. Tyler Bridges, "Brazil Attacks Capital Flight, but What of Its Causes?" *Wall Street Journal*, January 20, 1989, p. A19.

²"Brazil Acts to Fight Inflation," *The New York Times*, July 16, 1989.

*For details on the Cruzado Plan, see Eul-Soo Pang and Laura Jarnigan, "Brazil's Cruzado Plan," *Current History*, January, 1987, pp. 13–16, 41–42; for details on the Bresser Plan, which was named after former Finance Minister Luis Carlos Bresser Pereira, see Eul-Soo Pang, "The Darker Side of Brazil's Democracy," *Current History*, January, 1988, pp. 21–24, 40–41.

and an economic collapse by year's end, following the Argentine experience of July, 1989.

There are various explanations for the failure of the Summer Package. Some economists argue that in freezing prices and wages, the government was attacking the symptoms of inflation but was failing to address some of its major causes, namely, a large budget deficit and a rapidly expanding monetary base. Politically, a skeptical public failed to back the package; an emboldened labor movement pressed for wage hikes through strikes; and an intransigent Congress blocked many proposed austerity measures, like the firing of 60,000 public sector employees and the privatization of state enterprises.

The major bright spot in Brazil's economic performance continues to be trade. In 1988, Brazil generated a record-shattering \$19-billion surplus in merchandise trade. Exports from January through September, 1989, totaled \$26.319 billion, greatly exceeding the import figure of \$13.107 billion. The accumulated total surplus for that period was \$13.212 billion, and represented a modest decline from the \$14.615 billion during the same months of 1988. Cacex, the foreign trade department of the Banco do Brasil, attributed the decline to the weakness in coffee exports. Coffee is Brazil's fourth largest export item, surpassed by steel products, transport material and soy beans. Cacex remained optimistic that Brazil would attain the goal of a \$16-billion trade surplus for 1989.³

Despite this optimism, there is increasing concern that Brazil may have lost some of its competitive edge in trade. Observers warn that Brazil has failed to keep pace technologically with many of its East Asian competitors. Others argue that Brazil's export push has distorted development, that the low level of imports has seriously stifled the industrial base and that Brazil can no longer afford to transfer abroad such a large share of its resources in the form of debt servicing—financed primarily with the foreign exchange generated by the trade surpluses.

FOREIGN POLICY

Brazil's foreign policy agenda continued to be dominated by the issues of debt and trade, in addition to the environment issue. Brazil declared a moratorium on its \$70-billion bank debt in February, 1987. The country returned to the good graces of its creditors in 1988 when Finance Minister Maílson Nóbrega ended the moratorium

and signed an accord with the International Monetary Fund (IMF). Brazil reduced its external debt from \$121.17 billion in December, 1987, to \$114.9 billion in December, 1988, and was expected to cut the total to \$111.9 billion by the end of 1989. The debt reduction was due primarily to debt-for-equity swaps and the resumption of interest payments in November, 1988, after Brazil signed a \$62-billion restructuring package with its creditors. In 1988, Brazil paid \$10 billion in debt service.

Nóbrega's debt strategy began to unravel when Brazil failed to make a \$812-million interest payment in July, 1989. By the end of October, 1989, Brazil was over \$2.3 billion in arrears on \$68 billion owed to commercial banks and was in a position of "undeclared moratorium." Commercial banks were reluctant to disburse a promised \$600 million until Brazil negotiated an agreement with the IMF. Between April and July, the IMF sent two missions to Brazil, but no accord was signed because Brazil's public deficit was 4.5 percent of its gross domestic product (GDP), over twice the targeted 2 percent. The Sarney administration blamed the deficit on Congress and on the new social expenditures mandated by the 1988 constitution. Brazil took the position that it would increase foreign reserves before honoring its debt. As a result of the impasse, creditors took a "wait and see" attitude, postponing major decisions or sanctions until the new President takes office.

Brazil found little promise in the Brady Plan, announced by United States Treasury Secretary Nicholas Brady in March, 1989, as a means to reduce third world debt. The Brady Plan was applied to Mexico in July, 1989, and a 35 percent target was set for debt reduction. Bankers made it clear, however, that the precedent established with Mexico would not be applied to Venezuela, Brazil or Argentina, who were next in line for debt renegotiations. By September, 1989, the Brady Plan fell under attack, when it became clear that the net reduction in the Mexican debt would not meet the 35 percent target; some estimates placed it at 13 percent.⁴ Commercial banks have been reluctant to provide new loans unless the World Bank and the IMF provide "credit enhancements." (The World Bank and the IMF had previously promised to make \$25 billion available over three years to support relief transactions between banks and debtor countries.⁵)

In the trade arena, Brazil's relationship with the United States was marked by ongoing acrimony. Such tension is in part a reflection of United States concerns with the trade imbalance between the two countries. In 1988, United States merchandise exports to Brazil totaled \$4.3 billion, while Brazil's ex-

³"Nunca se exportou tanto," *Veja*, July 26, 1989, p. 101.

⁴"Brazil Asks for Extension on Bank Loan," Reuters/Executive News Service, September 8, 1989.

⁵"Brady Third-World Debt Plan Faces Rising Criticism from Bankers," McGraw-Hill, Inc./Executive News Service, September 29, 1989.

ports to the United States reached \$10.0 billion. The \$5.7-billion deficit was \$1.3 billion higher than the 1987 deficit.⁶

On May 25, 1989, the United States cited Brazil, along with Japan and India, as unfair traders and, under the Super 301 section of the 1988 Omnibus Trade and Competitiveness Act, threatened sanctions if negotiations did not lead to the lowering of import barriers. The United States decision gave Brazil 18 months to negotiate a settlement, after which reprisals could be instituted, including tariffs of up to 100 percent on selected imports. Brazil was cited because of licensing requirements it imposed on most imports. Brazil was also placed on a "priority watch list" with seven other countries for allegedly violating intellectual property rights (piracy of patents, copyrights and trademarks). Predictably, the Brazilian government countered that the United States was acting unilaterally and thus violated the spirit of the General Agreement on Tariffs and Trade (GATT), the institution that defines the rules of international trade.

In a separate but related incident, Brazil complained to GATT with regard to United States President Ronald Reagan's imposition, in October, 1988, of 100 percent tariffs on certain paper products, drugs and consumer electronics items from Brazil. The tariffs were imposed after the United States charged, in June, 1987, that Brazil had violated United States patents for pharmaceuticals. GATT set up a panel in February, 1989, to hear Brazil's complaints regarding the punitive tariffs, and 50 countries spoke out in favor of Brazil. The United States remains frustrated because there are no GATT rules regarding the protection of patents, copyrights and other "intellectual property." In the current round (the Uruguay Round) of GATT trade talks, to end in 1990, intellectual property is one of the major unresolved issues.

Brazil was also angered by the United States refusal to transfer sensitive technology. Citing the 1968 Treaty on the Non-Proliferation of Nuclear Weapons (which Brazil has not signed), the United States prohibited the sale of a supercomputer to Brazil because it could be utilized in Brazil's parallel nuclear program. Since 1987, the United States has strictly controlled the export of rocket and ballistic

missile technology to Brazil, under the terms of the Missile Technology Control Regime (MTCR).⁷ Such a restrictive policy has succeeded in stalling Brazil's space and ballistic missile programs, but it has also severely strained Brazil-United States relations and has prompted Brazil to explore closer ties with the People's Republic of China, the Soviet Union and France.

Critics of United States policy contend that in pursuing a policy of ballistic missile nonproliferation, the United States is antagonizing an important ally and that, in the long run, the United States will not only lose any influence over Brazil's missile program, but will drive Brazil further into the waiting hands of Chinese and Soviet leaders. United States policy-makers are therefore faced with a dilemma: to what extent can they balance the goal of ballistic missile nonproliferation with improved United States-Brazilian relations?⁸ Answers to these and similar questions will have to be negotiated with the new administration in 1990.

ENVIRONMENT

The Amazon contains two million square miles of forest, with nearly half the world's known plant and animal species. During one day in 1988, Brazilian scientists discovered 6,000 fires burning in the Amazon. Satellites have shown that about 5 percent of the Amazon has already been deforested to make way for ranches, farms, mines, dams and roads. Environmentalists contend that the burning of the forest is a global problem, because such burning threatens to eliminate much of the plant and animal life, and reduces a major source of oxygen.

In December, 1988, union leader and ecologist Francisco "Chico" Mendes was shot to death. Mendes had been a major figure in the fight against cattle ranchers and their practice of cutting down trees for pasture. His death prompted an international outcry against the deforestation.

In February, Indian tribes met for the first national tribal conference, and pressured the World Bank to reject loans for hydroelectric dams in the Amazon. The United Nations (UN) proposed that Brazil exchange some of its foreign debt for investments in Amazon protection programs. Later, France, the Netherlands and two United States congressional delegations made similar proposals. Sarney angrily rejected such plans, arguing that they were an affront to Brazil's sovereignty. Such meddling in Brazilian affairs, he charged, was a form of "colonialism."

As the intense international pressure continued to mount, Sarney backed down. In April, he signed a multimillion dollar program, dubbed "Our Nature." The plan suspended tax incentives for ranchers; banned timber export; established a

⁶Office of the United States Trade Representative, *1989 National Trade Estimate Report on Foreign Trade Barriers*, pp. 15-24.

⁷See Robert D. Shuey, Warren W. Lenhart, Rodney A. Snyder, Warren H. Donnelly, James E. Mielke and John D. Moteff, *Missile Proliferation: Survey of Emerging Missile Forces*, Congressional Research Service Report for Congress #88-042F, Washington, D.C., October 3, 1988.

⁸See Scott D. Tollefson, "Brazil, the United States, and the Missile Technology Control Regime," Technical Report (Naval Postgraduate School, Monterey, California), December, 1989.

special force to police the burnings; created new Indian reservations; formed an Environmental Fund; and placed controls on the sale of mercury, which is used by gold prospectors and thrown into the rivers. While such steps were criticized as mere tokenism, they represented a small but important first step in formulating a conservation strategy.

In July, Brazil signed a memorandum of understanding with Great Britain to deal with environmental problems, and in August, Brazil agreed to accept \$65.5 million in grants and loans from West Germany for conservation projects in the Amazon. Multilateral lending institutions like the Inter-American Development Bank and the World Bank have shown a greater sensitivity to international concerns about the Amazon and have increasingly linked loans to conservation policies.⁹

The Amazon issue clearly gives rise to domestic and international concerns. In Brazil, there is a small but burgeoning environmental awareness, as symbolized by the minuscule Partido Verde (Green party), which has been forced to seek alliances with larger parties like the Workers' party (PT). Still, the environmental movement within Brazil lacks the critical mass necessary to influence policy substantially at a national level. Most pressure for conservation continues to come from the international community, but many Brazilians are understandably wary of solutions imposed from abroad.

THE PRESIDENTIAL CAMPAIGN

The national campaign took place in the midst of high levels of skepticism among the voting public about the political process. In public opinion polls, politicians were consistently among the least respected social categories. Few Brazilians identified with any political party. Charges of corruption and nepotism among political leaders were frequent and were highlighted in a popular television soap opera early in 1988 as well as in ongoing media coverage.

Moreover, the voting population was inexperienced and young. In 1960, 15.5 million Brazilians went to the polls to elect Janio Quadros as President. In 1989, about 80 million voters cast ballots. About 5 million young people 16 or 17 years old voted for the first time. The 1988 constitution guaranteed illiterates the right to vote; it is estimated that 10 percent of Brazil's population is totally illiterate and another 30 percent is functionally illiterate. Another 28 percent of the people have not completed grammar school. No more than 5 percent of the voters in November completed col-

lege. The Brazilian voting population is increasingly urban, with 25 percent of the voters living in state capitals and their municipalities. The southeastern region, including São Paulo, accounts for about 34 million voters.¹⁰

As the municipal elections of November, 1988, ended, the presidential campaign began. Former Rio de Janeiro Governor Leonel Brizola, a perennial candidate, launched his campaign on behalf of the Democratic Labor party (PDT) early in 1989. It was assumed that Luís Inácio da Silva, also known as "Lula," would carry the Workers party standard and he was confirmed by the party's national convention. The Brazilian Democratic Movement party (PMDB), the country's major party in terms of the number of governorships and congressional seats won in the November, 1986, elections, selected its national president, Deputy Ulysses Guimarães. The PMDB has suffered a dramatic collapse of its popular support since the failure of the Cruzado Plan of 1986 and its defeat in the November, 1988, municipal balloting. The PMDB, the major partner in the coalition that supported the Sarney administration, has been blamed for most of the economic and social problems that now confront Brazil.

One big surprise of the campaign was the appearance in early 1988 of 39-year-old Fernando Collor de Mello, then governor of the small, poor northeastern state of Alagoas. Collor had gained prominence as governor because of his fight in 1987 against the so-called "maharajahs," the hundreds of civil servants, often political appointees, who receive astronomical salaries for little or no work. Collor stopped payment on their salaries in his state and gained instant national fame. He enhanced his popular image by attacking the feeble government in Brasilia while other, more prudent politicians bided their time. Collor tapped deeply felt Brazilian resentment and skepticism about politics and government long before other, more seasoned hands understood these feelings.

Collor hastily organized a new political party, the National Renovation party (PRN). Within weeks of announcing his candidacy, Collor took first place in the public opinion polls and held his lead throughout the year. In a Machiavellian move, Roberto Marinho, the powerful media czar who controls TV Globo, the world's fourth-largest privately-owned communications conglomerate, decided to provide Collor with extensive coverage. The deeply conservative Marinho apparently decided to use the tremendous power of television to defeat his archenemy, Leonel Brizola, and to prevent the election of a leftist candidate. Marinho was a close adviser of President Sarney's, and some saw Marinho's move as a reflection of presidential

⁹Todd Lewan, "Saving the Amazon," Executive News Service/Associated Press, September 5, 1989.

¹⁰"80 Million Voters," *Gazeta Mercantil* (English edition), July 17, 1989, p. 2.

thinking, an accusation quickly denied by the Sarney administration in Brasília.

A number of other candidates appeared, but few prospered. The leaders of the Brazilian Social Democratic party (PSDB), a splinter of the PMDB, nominated São Paulo Senator Mário Covas. Contrary to expectations, Covas's campaign never took off. Without a strong party organization, the bookish Covas failed to ignite popular enthusiasm. Aureliano Chaves, the Vice President in the last military regime and a founder of the minor partner in the governing coalition, the Liberal Front party (PFL), won the PFL nomination after a painful internal split. He quickly took a place at the end of the list of candidates in terms of popularity. The Communist party (PCB) launched the candidacy of Roberto Freire, an articulate and moderate spokesman for the party. While Freire spoke well in public, the party remained a minor factor in national political life. Two businessmen from São Paulo jumped into the race. Paulo Salim Maluf, a former mayor and governor and the losing presidential candidate in 1985, organized an energetic race. Maluf's problem was his high rejection rate in the opinion polls. He was viewed as a manipulative politician and inspired little public trust. Guilherme Afif Domingos, a successful businessman and federal deputy for the small and conservative Liberal party, made a strong showing in October and early November. Afif Domingos came across as a "different" politician, not part of the old crowd, with a message of good government, free of corruption.

A total of 22 candidates and parties registered for the November, 1989, election, but only the above-mentioned candidates emerged as viable candidates, with Collor de Mello, Lula and Brizola the frontrunners in the polls through early November.¹¹ None chose particularly distinguished vice presidential candidates. The campaign was waged less on issues than on personal appeal and broad calls for national unity. Guaranteed television time—each candidate was given time allotted according to the number of his party's congressional deputies—began in September. The television campaign probably influenced the steady erosion of support for Collor de Mello, who through the spring and summer was consistently selected by more than 40 percent of the voters polled.

More than 80 million Brazilians voted for individuals, not political parties, on November 15, 1989. Collor de Mello's final share of the vote was 28 percent, substantially lower than his earlier showing in the national polls, but an impressive win for an individual with little or no political ex-

perience or exposure before 1988. The second-place finisher—and Collor's opponent in the run-off election—was Lula, who defeated Brizola by a little over 250,000 votes. Lula offered Brazilians a more radical option.

There was a "second" campaign as the country prepared for the mandated second election on December 17. There were several surprises between the two elections, with new coalitions appearing and promises being exchanged. The key issue was whether or not the badly inflated economy (and the high level of expectations) would allow an orderly second round in December. That question is quickly followed by another: can incumbent President José Sarney survive until March, 1990, or will he follow Argentina's President Raúl Alfonsín into a precipitous flight from office?

CONCLUSION

The inauguration of a new President in Brazil is part of a complicated process that will continue well beyond 1990. He will take office just as the governors and the Congress elected in the euphoria of the Cruzado Plan in 1986 are ending their terms.

In the domestic arena, the new President will need the support of a Congress and a group of governors with whom he will have little affinity. The November, 1990, gubernatorial and congressional elections will be uppermost in the minds of Brazil's politicians in 1990. The new Chief Executive may have to fight a rear-guard action with the lame-duck Congress and governors while seeking to build a nationwide constituency.

The internal agenda is daunting. Inflation must be brought under control. Wage pressures will escalate in 1990. The deterioration of health care, education and housing has become more pronounced. The country's infrastructure needs remedial attention. And the internal fiscal deficit is viewed by most observers as a greater threat to Brazil than the external debt. The public sector must be pruned quickly but without threatening vital services.

A series of difficult decisions remain in the international arena. Will Brazil service its outstanding external debt? Can it afford to ignore ongoing pressures to develop a long-range program for the preservation of the Amazon rain forest? Is there a mid-

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¹¹Gallup: aumenta a disputa pelo 2o lugar," *O Globo*, October 15, 1989, p. 10.

BOOK REVIEWS

ON LATIN AMERICA by Mary M. Anderberg

RETHINKING MILITARY POLITICS: BRAZIL AND THE SOUTHERN CONE. *By Alfred Stepan.* (Princeton: Princeton University Press, 1989. 167 pages, bibliography and index, \$25.00, cloth; \$9.95, paper.)

In his valuable new study of military politics and democracy, Alfred Stepan challenges scholars to examine how to deal with the military in a democratic manner. His work focuses on the Brazilian transition from military authoritarianism to democratization and compares that experience with the experience of Argentina, Uruguay, Chile and Spain. He describes how the Brazilian military relinquished control after long negotiations that left many of their prerogatives unchallenged. At the time, there was little discussion in Brazil about the role of the military in the transition, or about how to go about demilitarizing the polity.

Stepan sees the failure to develop the means to control the military as a dangerous abdication of democratic power. In his study, he gives considerable attention to how the military strengthened its hold on the government by expanding its intelligence-gathering services and considers the problems that intelligence-gathering pose for civil and political society. Two chapters of his study deal with the contest between the military and new democratic regimes and the prerogatives retained by the military after the transition to civilian rule. In a concluding chapter, Stepan explores the task of civil and political society in the democratic management of the military.

TO MAKE A WORLD SAFE FOR REVOLUTION: CUBA'S FOREIGN POLICY. *By Jorge I. Domínguez.* (Cambridge, Mass.: Harvard University Press, 1989. 365 pages, notes and index, \$35.00.)

As the title of this excellent study indicates, Cuba's steadfast support of revolution has been a high priority in Cuba's foreign policy since the 1960's. In its help for revolutionary movements, Cuba has been more consistent than the Soviet Union, China and other Communist states. Cuba believes that its policy will advance socialist values, create friendly governments, enhance Cuban influence and combat its chief adversary—the United States—throughout the world.

This volume analyses the events leading to

Cuba's bold break with the United States and its substitution of a hegemonic relationship with the Soviet Union for its former relationship with the United States. The successes and failures of Cuban support for revolutions in Latin America, Asia and Africa are examined, as are Cuba's relations and trade with the capitalist world, its extensive technical assistance programs in the third world in the fields of health, education, construction and sports, and its failure to overcome its dependence on the export of sugar.

COFFEE AND DEMOCRACY IN MODERN COSTA RICA. *By Anthony Winson.* (New York: St. Martin's Press, 1989. 195 pages, tables, bibliography and index, \$45.00.)

A first-rate analysis of why the political and social development of Costa Rica has differed from the development of the other states in Central America, of the political, social and economic circumstances that checked the coffee oligarchy's domination and allowed a liberal democracy to emerge, and how the tactics of President José Figueres Ferrer succeeded in establishing the state as a motor force leading to social, economic and political reform. The changing class structure of the coffee sector in recent years, the extent of agricultural diversification, and the problems of landlord capitalism, development and democracy are other themes explored, as is the question of whether the Costa Rican model suggests a solution for the crisis in other Central American countries.

THE CATHOLIC CHURCH AND SOCIAL CHANGE IN NICARAGUA. *By Manzar Foroohar.* (Albany: State University of New York Press, 1989. 262 pages, notes, bibliography and index, \$39.50, cloth; \$12.95, paper.)

A historical study of church-state relations in Nicaragua in recent decades, particularly since the final days of Anastasio Somoza Debayle and the triumph of the revolution. Foroohar reviews the political liberalism in the church since the appointment of Archbishop Miguel Obando y Bravo in 1970. In discussing liberation theology, the author confines himself to its social and political rather than its religious aspects. He also examines the division between the hierarchy and the Marxist state since 1980, and the split among the clergy with regard to support for the government or the contras. In his well-balanced

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UNITED STATES POLICY IN LATIN AMERICA

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help "launder" the money; and it aims at intermediaries like couriers and delivery networks. So far the plan has been concentrated in Colombia, where the power and numbing violence of the drug cartels threaten the civil society and the government, and in Peru and Bolivia, where production is also large-scale.

President Bush has continued President Reagan's strategy of support for Latin America's democracies. That means ongoing support for the democratic opening in Chile, efforts to shore up weak democracies in Central America and in South America, continued pressure on Nicaragua to democratize its regime, and ongoing worries about democracy in Mexico and some of the larger South American countries.

Without democracy (or even with it), Mexico could become an unstable neighbor on the United States southern border. Peru's democracy is chaotic and very fragile. Fears for Colombia's democracy partly motivated President Bush's drug campaign, and riots in Venezuela and the potential destabilization of that democracy gave impetus to the Brady Plan to alleviate Latin America's debt problem.

The two greatest worries for the United States in South America are Argentina and Brazil. Argentina has a populist Peronist President, Carlos Saúl Menem, and it is feared that he may mismanage the economy, thus precipitating a military coup d'état in two or three years. But so far President Menem's policies have been prudent, sensible and encouraging. Brazil, the proverbial "sleeping giant" of the continent, is no longer sleeping, but these days it is a shaky giant. Skyrocketing crime, widespread social and political discontent, galloping inflation, and a sense of malaise and of impending national collapse have shaken Brazil's traditional optimism and have frightened United States policy-makers.

THE FUTURE

The per capita income for Latin America as a whole fell by 1.5 percent in 1988; it has fallen by 7 percent between 1980 and 1988. There has also been a sharp decline in capital inflows and investment rates; foreign exchange reserves are down; and private banks no longer wish to lend to the area. Unemployment and inflation are rampant.⁴ Because of its own budgetary restraints, the United States is not in a position to provide a new Marshall Plan or a new Alliance for Progress for Latin America; and, after showing some interest in the area in

the early 1980's, Europe is not now very much involved in Latin America either.

Rhetoric aside, the cold war is the reason the United States pays attention to Latin America. The United States will not entirely abandon the area, and the new issues—drugs, debt, immigration, instability—will force the administration to remain involved. But Latin America will almost certainly become more like Africa; an assistant secretary will deal with its problems, but few people will care.

In the abstract, Latin America's needs are obvious: a serious, sustained, multifaceted United States program; mature and normal relations; a policy that emphasizes democracy, human rights, socioeconomic assistance and development as well as more narrowly defined United States security concerns. But the United States is now following a policy of benign neglect. And as the cold war winds down and as United States investment and attention is turned in other directions, its indifference to Latin America will probably increase.

Earlier periods of benign neglect, however, led to the Cuban revolution at the end of the 1950's and to the Central American revolutions at the end of the 1970's. One hopes that the United States has absorbed the lessons of these events, and that the administration will realize that neglect of the area leads to deeper crises for United States policy later. But there are few signs at present that the lesson has been learned. ■

PERU

(Continued from page 8)

its popular support (in the face of its failed economic policy) and its economic capacity to maintain initiatives to confront the guerrilla problem, the military and police forces appear to be filling the gap with more aggressive initiatives of their own. Some initiatives have been successful, including the capture of several important insurgent leaders like Shining Path's second-in-command, Osmán Morote Barrionuevo, and MRTA's top figure, Víctor Polay Campos. Shining Path's top military leader in northern Peru, Alfonso Manzoní Castilla, was killed in June, 1989.

Also notable are numerous interdictions of guerrilla forces in Puno, Ayacucho, Huánuco and Lima. Substantially more terrorists, as they are officially called, were killed in military encounters during the first half of 1989 (575) than during either of the previous two years (398 in 1988 and 341 in 1987). There have been some humiliating defeats: for example, the successful Shining Path assault on the police compound in Uchiza, a town centrally located in the Upper Huallaga Valley, in March, 1989, that resulted in the death of 10 policemen and the resignation of recently appointed Interior Min-

⁴ *The Times of the Americas*, May 31, 1989, p. 10.

ister Armando Villanueva del Campo.¹⁹

Shining Path thus continues to demonstrate its capacity to challenge the government in select locations using military force, sabotage (closing down a key mining facility for several months and periodically shutting down the transmission of electricity to Lima and other major cities) and intimidation (scores of mayors resigned under death threats, and an estimated one-third of the 4,000-odd local justice of the peace posts remained unfilled because of a lack of candidates).

One early 1989 poll showed that 15 percent of urban Peruvians believed that the insurgents might eventually win, compared with just 4 percent a year earlier. Shining Path also promised to disrupt the November 12 municipal and regional elections; its capacity to actually do so will be an important test of its strength. * Nevertheless, there is little indication that the organization enjoys much real popular support, outside its Ayacucho, Huancavelica and Apurímac heartland and the special situation in the Upper Huallaga Valley. There is not much chance that this will change in spite of the government's multiple problems.

THE PERSISTENT DRUG CHALLENGE

The coca leaf, the raw material from which cocaine is made, has been cultivated for at least 1,000 years on the Amazon Basin slopes of the Peruvian and Bolivian Andes; it is used for a variety of religious and secular purposes by the traditional Indian populations. Beginning in the 1970's, however, the growing United States demand for cocaine stimulated the rapid expansion of coca production in a number of nontraditional areas. The most important of these is the Upper Huallaga Valley, on the eastern side of the Andes some 250 air miles northeast of Lima.

Opened to thousands of land-starved farmers by access roads built with government and international support in the 1950's and 1960's, this valley now produces well over half the coca grown in the world. Virtually all the coca produced is made into

coca paste for shipment to Colombia, to be processed into cocaine. At least 70,000 small farmers and their families in the valley earn their living growing coca, and its sale nets Peru from \$750 million to \$1.2 billion in foreign exchange each year.²⁰

As part of its effort to reduce cocaine consumption in the United States, the United States government has enlisted the support of its Peruvian counterpart over the past 10 years, hoping to reduce coca production by a combination of crop eradication and crop substitution in nontraditional areas of cultivation. In financial terms, this has been a modest program, with an annual budget of between \$6 million and \$8 million. The results have also been modest, with a few hundred to a few thousand hectares cleared per year, concentrated almost exclusively in the Upper Huallaga Valley. Yet the total cultivated area has continued to expand. A plan to increase eradication substantially by aerial spraying went awry in 1988 when the American manufacturer of the defoliant refused to sell it on environmental grounds; additionally, manual eradication became more dangerous because of increased organized opposition by local coca growers and growing guerrilla activity in the valley.

The situation is further complicated by the fact that United States officials involved locally with coca eradication efforts may work with their law enforcement counterparts but not with the military and may not become involved in fighting the guerrillas; however, Peruvian police and army responsibilities are defined differently. Bureaucratic entanglements are virtually inevitable, and are likely to become more so in the near future as the resources earmarked for Peru by the United States government's "War on Drugs" are utilized.

Making matters more difficult has been the ability of Shining Path to expand its activities in the valley during the past two years to the point that the Shining Path now exercises effective control over most of the population. Beginning in November, 1988, visitors allowed in by Shining Path to observe local conditions report that Shining Path acts as the de facto authority in many areas, exercising police functions and maintaining courts, schools and health facilities.²¹ It has increasingly assumed the role of protector of the interests of the coca growers against the government's efforts to reduce production and the Colombian coca paste buyers' efforts to maximize their own profits.

Shining Path is also reported to levy a "transport tax" of \$2,000 to \$4,000 per flight. With over 50 small airfields in the valley and between one and five flights per day from each field, estimates of \$10 million to \$30 million in annual income from the tax do not seem farfetched. How these resources might

¹⁹The fact that the army did not come to the rescue of the besieged policemen, although promised by Villanueva, added still another disturbing element to the drama. So, too, was the report that Shining Path killed all the officers on capturing the compound, but released the others. See particularly the scathing article in Peru's leading news magazine, *Caretas* (Lima), April 17, 1989, pp. 10-15.

*For details of the November municipal and regional elections, see *The Month in Review* section in this issue of *Current History*.

²⁰See Cynthia McClintock, "The War on Drugs: The Peruvian Case," *Journal of Interamerican Studies and World Affairs*, vol. 30, nos. 2 and 3 (Summer-Fall, 1988), pp. 127-142, for details.

²¹Among others, Mark R. Day, "A Mao-Inspired Rebel Rage Grows in the Back Country of Peru," *Los Angeles Times*, December 4, 1988.

be used is unclear. They do not appear to be used for the purchase of new weapons; some accounts suggest that the revenue pays cadre salaries; others suggest that the revenue is deposited in offshore banks to be used after the revolution succeeds. Whatever the case, there is agreement that Shining Path now poses a strong presence in the Upper Huallaga Valley and that neither the police nor the army has so far been willing or able to remove it. The valley is isolated enough so that what does or does not happen there poses no real threat to Lima except, ironically, through the effect on Peru's economic center of the flow or cut-off of a major source (25 percent to 40 percent of legal exports) of much needed foreign exchange.

PERSISTENT DEMOCRATIC POLITICS

With all the challenges Peru faces as it enters the 1990's, the continued dynamism of its multiparty political system is remarkable. Electoral alternatives exist and have actually increased over the past two years. As García began to falter in 1987 (and with him the electoral fortunes of his APRA party), many analysts thought that the time of the left, through the IU (Unified Left), was at hand.

But 1987-1988 witnessed the renaissance of what had been widely perceived as a divided and moribund center-right with the political debut of novelist Mario Vargas Llosa, who originally was protesting the bank nationalization attempt. And 1989 saw the forging of a political alliance, the Democratic Front (FREDEMO), including Vargas Llosa's new Liberty Movement, former President Belaúnde's Popular Action (AP) and perennial presidential candidate Luis Bedoya Reyes's Popular Christian party (PPC).

The process was not without its pitfalls, however, as the more established parties, with their own identities and cadres, tried to accommodate a popular political neophyte. When AP and PPC decided in mid-June, 1989, to run on their own lists rather than as FREDEMO in the municipal elections, Vargas Llosa resigned his presidential candidacy to shock them to their senses. By early July, he had their agreement to run on the FREDEMO slate in the 24 department capitals, at which point he rejoined the fray. June, 1989, polls showed Vargas Llosa with 33 percent of the vote; by late August, his support had increased to a startling 48 percent.

Luis Alva Castro, a long-time rival to President García (who is constitutionally unable to succeed himself), was chosen by APRA in May, 1989, as its standard bearer. This choice indicates how much support Alán García had lost during his presidency even within the party he had catapulted into control of the executive branch for the first time in its 60-year history. However, Alva Castro still had to

face the negative fallout of APRA incumbency. His popular support in June, 1989, polls was only 10 percent. By August, it was down to 8 percent.

The multiparty IU could not retain the unity it showed in 1985, when its candidate, Alfonso Barrantes Lingán, former mayor of Lima, garnered 21 percent of the vote to finish second. By September, 1989, the IU militants threatened to formalize the internal split between the moderates and the radicals. The moderate forces—the Socialist Revolutionary party (PSR) and the Communist Revolutionary party (PCR)—joined in a political movement they called Socialist Convergence (CS), and pushed for Barrantes as their candidate. The more radical members of the IU are the Unified Mariáteguist party (PUM), the National Union of the Revolutionary Left (UNIR) and the Student-Peasant-Worker Popular Front (FOCEP). In spite of efforts by long-time Peruvian Communist party (PCP) leader Jorge del Prado to reach some consensus so that a single candidate could be launched from the left, his radical colleagues resisted.

Barrantes is by far the most popular figure on the left. June, 1989, polls gave him 24 percent of the vote, down to 21 percent in August. No other potential candidate on the left got more than 3 percent in June (although a substantial 18 percent did not know or was undecided). However, Barrantes has insisted that he will not be a candidate if IU splits. Much of IU's strength lies in its provincial and district organization, which is dominated by the more radical parties of IU, particularly PUM and UNIR. Should the split formalize, as appears likely, the left almost surely will forfeit its 1990 presidential chances. Nevertheless, it is still expected to do well in mayoral and congressional races. Some commentators have suggested that continued opposition status in 1990, not the presidency, is what much of the more radical left wants.

WHITHER PERU?

Multiple parties, multiple ideologies and multiple political posts were up for local, provincial, and national elections in November, 1989. Elected on November 12, 1989, were 1,776 district mayors and 9,249 district council members; and, for the first time, 181 provincial mayors and 2,232 provincial council members. On April 8, 1990, the entire Senate and Chamber of Deputies are to be elected, as is the President. Should no presidential candidate win 50 percent of the vote, a runoff election will be held within six weeks.

The military is pledged to uphold the process and gives every indication thus far of being prepared to uphold its promise. The insurgents, Shining Path in particular, are equally committed to disrupting the elections. Sharp increases in the assassination of

elected officials serve as a powerful deterrent. Hundreds of others have received death threats, and many have resigned. In addition, the states of emergency that prevail in more than 30 percent of Peru's provinces complicate the voting process, even though special arrangements are planned to open a window of constitutional "normalcy" around election days.

The dramatic fall-off of incidents and deaths in September and October, 1989, after the grotesque record pace of January through July probably masks the intense preparations being made by both the military and the insurgents to have maximum impact around election time. Elections will take place, but they are likely to be marred by substantial violence, especially where Shining Path has been most active, and they may be impossible to carry out in scores of localities.

Even so, several recent developments may provide more political space than could have been predicted at the beginning of 1989. Modest improvements have occurred in the economic picture, with inflation cut to 25 percent per month, reserves up fourfold to \$1.3 billion and the average wage again advancing in real terms (from about \$30 per month in January to about \$45 per month in September). In addition, the police and military took a more offensive position against the guerrillas between April and July, and are taking delivery of new helicopters and vehicles, restoring some faith in their capacity to protect the system. Furthermore, President García has been more active during his last year in office than was expected after the problems he experienced in late 1988 and early 1989. With the presence of multiple political alternatives at the local level and an emerging conservative alternative at the national level, Peru may well be poised to begin its long climb back from the edge of the abyss. ■

ARGENTINA

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vented leftist insurrection. To date there is no convincing evidence to support either theory.

During his campaign, Menem had promised to consider pardons for everyone—from the junta members who governed in the 1970's to rebels like Seineldin. Nevertheless, he proceeded cautiously, aware that there was opposition to such benevolence. The issue was complicated by the diversity of crimes involved, from torture and murder during the *Proceso*, to launching an ill-conceived war in the Falkland Islands, to rebelling against military and civilian authorities. Moreover, people like former President Jorge Videla made it clear that they

would not accept pardons since they did not believe they had committed any crime.

Two schools of thought within Menem's government quickly emerged on the pardon issue. One argued that pacification of the military was vital to assure peace and to build confidence among foreign investors who were reluctant to spend more money in a country that was plagued by an ineffective military. Others argued that, apart from the obvious, morally repugnant aspects of legal absolution, meddling with the justice system would be frowned on by the liberal democratic governments on which Argentina currently depends for political and economic support. The Radicals were as divided as the Peronists: some favored pardons, while others, including Alfonsín, intensely opposed them.

In October, 1989, Menem began to resolve the difficulty by pardoning almost 280 people. About 40 were retired military officers who had been involved in the *Proceso*; others were participants in the Falklands War or had participated in recent army rebellions. Menem also extended pardons to about 60 civilians, many still in exile, who had been charged with subversion. However, none of the people who took part in the attack at La Tablada were on the list. Eight others, including former Presidents Jorge Videla and Roberto Viola, and Montonero leader Mario Firmenich, were also excluded, but Menem promised that their cases would be reconsidered later in the year. Menem insisted that the pardons were essential to building respect within the armed forces for constitutional government; nevertheless, some Argentines protested against what they considered to be an immoral presidential decision, especially as it applied to those who had exterminated several thousand civilians between 1976 and 1980.¹¹

Exhibiting the same boldness that he had displayed in domestic matters, Menem ended Argentina's embargo on trade with Great Britain (the British had ended their embargo on Argentina in 1985). Even though he reasserted Argentina's claim to sovereignty over the Falkland Islands, Menem agreed to initiate talks with the British in Madrid. Menem's motives were pragmatic: Argentina needs more trade with Europe and that requires better relations with all European nations. Air and sea links between the two countries and between Argentina and the Falklands, fishing rights, and ways to prevent military incidents were also on the agenda for the October 17 meeting. At that meeting, Britain and Argentina renewed diplomatic relations. Menem wanted to convince other nations that Argentina was entering a new era that necessitated fresh responses.

When he went to the United Nations General Assembly meeting in September, 1989, Menem

¹¹ *The New York Times*, October 10, 1989, p. 3.

urged the other heads of state to take a close look at Argentina and at what he was trying to do for the country. In particular, he wanted North Americans "to end an old and stupid legend" about the supposed anti-Americanism of Peronism and to "lift all shadows from relations between the United States and Argentina."¹² When he returned home, he was pleased to report that he had brought with him a new \$1.4-billion stand-by loan from the IMF, a welcome but very temporary solution to Argentina's debt problem.

PROSPECTS

Menem's agenda is ambitious and must be implemented swiftly. Price controls have been tried earlier, but they have always been followed by a renewed acceleration in prices. And not even the armed forces could achieve privatization. Few doubt that Menem wants change in the nation's economic structure, but, as always, most Argentines are skeptical about his chances of success.

During 1990, he must contend with several inevitable obstacles. To begin with, Menem faces a labor movement whose members are frightened by privatization and the unemployment that might accompany it. Moreover, after a decade marked by substantial wage loss, prospects for immediate income recovery do not look bright. One survey recently found that while 60 percent of the Argentine people were optimistic about their future economic improvement in 1985, only 30 percent were optimistic in June, 1989.¹³ Keeping the CGT behind him as adversity grows will not be easy, even for a man elected by the Peronist rank and file, since the CGT is already divided over the role it should play in the new government.

Equally important, Menem must rely on wealthy citizens and private corporations to make the investments that they refused to make during the 1980's. They must return to Argentina some of the \$46 billion that they have sent abroad and they must spend it productively to increase Argentina's exports. Menem has no qualms about firms making profits, but he insists that they must also contribute to the economy. Unfortunately, Argentine entrepreneurs are notoriously cautious about following their government's pleas for long-term investment. They have become creatures of narrow, short-term interests, and no one wants to be the first to change.

Third, there is no way that Argentina will pay very much of its foreign debt any time soon, even with further assistance from the IMF. Trying to do

so would drain the dollar reserves needed to finance development. Argentina can borrow more, but that increases its debt. So far, Menem has approached the debt issue more cautiously than many critics thought he would. Yet if creditors do not yield to Argentina, Menem may become less cooperative.

Fourth, Peronist political power is not so great as it might appear to be. That is why Menem has tried to include many of his potential opponents in his ruling coalition. It is essential that they remain in the coalition until government policy begins to succeed. Otherwise, Argentina will be tossed back into a kind of zero-sum politics that is self-defeating. The Radicals are the government's strongest opponents in Congress and can make life miserable for Menem when he presses for tax and tariff reforms in 1990. Opposition is essential for democracy, but the opposition must offer reasonable and relevant policy alternatives.

Finally, the armed forces, although they pose no immediate threat to democracy, must be reminded constantly of the military's subordinate role. In turn, the civilian government must make a greater effort to understand military organizations and budgets and apply this knowledge more to the armed forces. Otherwise, the military will continue to enjoy the *de facto* autonomy that makes it so strong. ■

NICARAGUA

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reasons, to release additional political prisoners and to alter procedures for voter registration in line with opposition demands.¹⁶ The government did not meet all the opposition's demands. The voting age remained 16; the victors in the elections would not be inaugurated until January, 1991; the President remained eligible for reelection; and there were no restrictions on FSLN control over the military or restrictions on military voting rights. But in most matters, the opposition achieved its aims, clearing the way for its participation in the elections.

This accord was followed by an agreement between Nicaragua and Honduras and an agreement on the part of all the Central American Presidents that seemed to end the *contras'* ability to operate out of Honduras. The bilateral agreement involved the suspension of Nicaragua's suit against Honduras before the World Court in return for a Honduran agreement to a "Joint Plan for the Demobilization and Voluntary Repatriation or Relocation of the Nicaraguan Resistance and Their Families." The Central American Presidents, meeting in Tela, Honduras, endorsed the Joint Plan and agreed to

¹²The New York Times, September 21, 1989, p. 5.

¹³Edgardo Catterberg, *La Argentina frente a la política: cultura y opinión pública en la transición Argentina a la democracia* (Buenos Aires: Planeta, 1989).

¹⁶Text of Political Agreement between the President of the Republic of Nicaragua and the Legal Representatives of the Parties, Managua, August 4, 1989.

ask the United Nations to assist them in verifying the agreement.¹⁷

While these accords did not lead to rapid demobilization of the contras or put an end to their sporadic attacks inside Nicaragua, they laid the groundwork for the dissolution of these forces as a serious threat to the government. United States support was waning, a fact underlined in July by the Bush administration's decision to end funding for the contras' Miami offices. After the Tela agreements, many contra leaders announced that they were unwilling to turn in their arms and give up the struggle. But others sought political asylum in the United States, slipped back into Nicaragua or sought negotiations with the Sandinistas.¹⁸

Support among the Mosquito and other Indian groups, once a vital element of contra strength, was rapidly dwindling. One of the major Indian resistance groups, YATAMA, led by Brooklyn Rivera, had been negotiating since early summer with the Sandinistas over amnesty and Indian reintegration into society. In September, with the mediation of former President Carter, an accord along these lines was negotiated.¹⁹ The contras were entering their final phase as a large-scale movement.

THE CAMPAIGN

The August agreements set off a period of frantic political activity in Nicaragua and debate within the Bush administration as to the best way to respond to these developments. In Nicaragua, UNO moved rapidly to field a slate of candidates. On September 2, after considerable debate, its 14 parties agreed on a ticket headed by Violeta Barrios de Chamorro, widow of *La Prensa* publisher Pedro Joaquin Chamorro (whose 1978 murder ultimately led to the fall of the Somozas). Dona Violeta, as she is widely known, served for several months on the first junta installed by the Sandinistas, but resigned for personal reasons and because of opposition to Sandinista policies. Although she never embraced the contras, she provided the opposition with badly needed credibility and name recognition.

The selection of her running mate led to more controversy. The convention selected Virgilio Godoy, head of the Independent Liberal party

(PLI), a former minister of labor under the Sandinistas and an unsuccessful 1984 presidential candidate. Godoy was opposed by several groups, notably the leaders of the private sector and others on the right of the political spectrum, whose candidate was businessman Enrique Bolanos.²⁰

The Sandinistas, as expected, nominated President Ortega and Vice President Sergio Ramirez for reelection. The convention was tumultuous, lacking some of the Leninist rhetoric that had characterized earlier party gatherings. Instead, the FSLN's platform concentrated on proposals for economic recovery.²¹

Bush administration efforts to respond to these events seemed confused and indecisive. Initial proposals envisioned funneling millions of dollars in aid directly to UNO by using the government-funded National Endowment for Democracy, but this encountered strong opposition from congressional Democrats who believed it would violate the endowment's charter, and it evoked nervousness among sectors of the opposition that feared too close identification with the United States.

The proposal also ran into the Nicaraguan government's requirement that half of any foreign funds received by political parties should be turned over to the Supreme Electoral Council. Ultimately, the Bush administration settled on a \$9-million package, \$5 million of which was to be channeled through the endowment for election monitoring by President Carter's group and others, for aid in voter registration and for similar purposes, excluding partisan campaigning. The other \$4 million was to go (through the Agency for International Development) for "nonpartisan technical support of the electoral process," a vague category that could allow some funding of UNO.²²

The administration's package left UNO short of funds and Dona Violeta and Virgilio Godoy made trips to Miami to seek support from the exile community. Rumors persisted that Venezuela and other nations, encouraged by the United States, were also aiding the opposition. Meanwhile, Sandinista candidates busied themselves by distributing land titles and otherwise using the powers of the state to cultivate and organize support for their ticket.

By mid-October the FSLN's prospects for victory seemed fairly bright. Dona Violeta was proving a less than rousing candidate whose campaign was underfinanced and disorganized. Several opposition groups, notably the faction of the Social Christian party headed by Eric Ramirez, remained outside of UNO and were planning to field their own candidates. In October, the Popular Social Christian party, headed by Mauricio Diaz, left UNO and joined Ramirez. Many of the Indian groups,

¹⁷Bilateral Accord between Nicaragua and Honduras, Tela, Honduras, August 7, 1989. Tela Agreement, Tela, Honduras, August 7, 1989.

¹⁸*St. Louis Post Dispatch*, August 9, 1989, p. 10; August 10, 1989, p. 8C; and August 14, 1989, p. 8.

¹⁹FBIS, July 3, 1989, p. 42. *El Nuevo Diario* (Managua), September 19, 1989, pp. 1 and 12.

²⁰Lee Hockstader, "Opposition Within Nicaragua's Opposition," *Washington Post National Weekly Edition*, September 18-24, 1989, p. 15.

²¹*Christian Science Monitor*, September 26, 1989, p. 3.

²²*The New York Times*, September 22, 1989, pp. 1 and 5.

including YATAMA, also supported Ramirez, and there were rumors that former guerrilla leader Eden Pastora (Commandante Zero) would return from exile and join this group.

Opposition weakness and divisions, Sandinista resources, the apparent end of the contra war and some stabilization of the economy (fueled in part by the influx of foreign currency connected with the elections) aided the Sandinistas. In the early fall, polls showed them with a lead over UNO, although a large number of voters remained undecided.²³

While the future remained murky, change seemed inevitable. The Sandinistas, the opposition and the United States all seemed to have a more realistic view of what was desirable and possible in Nicaragua. Mauricio Diaz admitted that even an opposition victory would not mean an end of Sandinista influence. Like many other Central American governments, the opposition would face an army it did not control, one that followed its own ideology—in this case that of the FSLN—and that would continue to exercise great power.²⁴

The United States also seemed more realistic in its approach. Gone was the inflated rhetoric of the Reagan years that portrayed Nicaragua as a major menace to United States security. There seemed little chance of a contra-style policy aimed at toppling the government. Even Secretary of State Baker admitted that, "If it's a fair election, I guess we'd have to deal with them [the Sandinistas]."²⁵

There were also signs of moderation among the Sandinistas. If the Sandinistas won, elements of the opposition might be invited to join a national unity government, adding to the regime's credibility and increasing its chances of gaining external economic assistance. Even the conservative London-based weekly *The Economist* saw the Sandinistas as "moving away from the East European political ideas they espoused in the early years of the revolution."²⁶

Reflecting this new realism, Carlos Fernando Chamorro, editor of the FSLN's newspaper *Baricada* and the son of Violeta Barrios de Chamorro, admitted that after the revolution,

I thought we would have a Nicaragua with tremendous initiative to do new things and become self-sufficient. But now I see that Nicaragua is going to be a poor country.²⁷

Until late October, the influence of hard-liners in

²³*Christian Science Monitor*, September 26, 1989, p. 3; John M. Goshko, "The Sandinistas Don't Have a Lock on It Yet," *Washington Post National Weekly Edition*, October 9-15, 1989.

²⁴*Christian Science Monitor*, July 20, 1989, p. 4.

²⁵Doyle McManus, "U.S. Lowering Its Aim in Nicaragua," *St. Louis Post Dispatch*, September 19, 1989, p. 1B.

²⁶*The Economist* (London), October 7, 1989, p. 52.

²⁷*Washington Post National Weekly Edition*, January 2-8, 1989, p. 12.

Managua and elsewhere appeared to be waning. On November 1, after Ortega's decision to end the cease-fire, concern about the elections increased and Nicaragua's international image deteriorated. Despite this setback, there was still some hope that cooler heads might prevail. If this should happen, Nicaragua may yet be able to emerge from the nightmare of the past and, in 1990, begin to improve the desperate living conditions of its people.

PANAMA

(Continued from page 20)

ed in removing Noriega and Panama from the public agenda. Administration officials refused to grant interviews on the subject and the media quickly moved on to other issues. Although the President signed a "finding" in July that charged the CIA with implementing a low-budget psychological warfare operation in Panama, even this operation had been put on hold by September. The Delvalle government-in-exile was instructed to maintain a low profile until after the November election.¹³

As a consequence of the Panama issue's relationship to United States electoral politics, the pressure on Noriega temporarily eased during the summer and fall of 1988. The effort to remove him failed to regain momentum thereafter because of the long presidential transition. President-elect Bush did meet with Delvalle in December to reassure him of continued United States support, but no policy tools were being used other than economic sanctions to force Noriega's departure. By February, 1989, the situation was little improved; General Fred Woerner, head of the Southern Command, noted that "we have a vacuum in Washington in the absence of the appointment of an assistant secretary of state for Latin American affairs."

Since electoral politics and the presidential transition prevented the development of a more comprehensive and coherent United States policy, economic sanctions were the only instrument used to pressure Noriega during late 1988 and early 1989. Although these sanctions deprived the Panamanian government of \$300 million in revenue, they were not fully and adequately enforced. Three amendments to the sanctions during 1988 and 1989 provided an additional \$250 million to Panama, so that the government could meet its payroll.¹⁴

The primary problem with the economic sanctions invoked under the terms of the International Emergency Economic Powers Act was that they

¹³*Washington Post*, April 23, 1989.

¹⁴"U.S. Policy toward Panama in the Aftermath of the May 1989 Elections," Hearings, Western Hemisphere Affairs and International Economic Affairs Subcommittees, House Foreign Affairs Committee, United States House of Representatives, July 27, 1989.

were implemented in April, 1988, before full consultation with the United States business community. The United States has a large business presence in Panama based on banking and the activities of multinational corporations. In other cases (i.e., Iran and Libya) where a President had exercised similar emergency powers, the United States business community had already left the country. In the case of Panama, the business community remained and thus felt the full brunt of the sanctions.¹⁵

President Reagan and President Bush wanted to use economic sanctions to pressure Noriega; but in turn they were pressured by the United States business community to allow exemptions. The sanctions were sufficiently successful to impoverish average Panamanians; at the same time, they were not inclusive enough to topple the regime. In the absence of a more comprehensive approach, United States-Panamanian relations continued to deteriorate during early 1989.

With the shift to an electoral strategy for removing Noriega, United States policy-makers faced a different set of problems. It was, of course, naive to believe that the PDF would allow the opposition to win, and few in the Bush administration believed that this could happen. However, there was some feeling that an overwhelming show of support for the opposition at the polls, coupled with international pressure, might lead to a successful resolution of the crisis. What United States policy-makers, opposition leaders and international groups who supported the electoral strategy seem to have seriously underestimated was the tenacity with which Noriega and his inner circle would cling to power.

Failed economic sanctions and elections were soon followed by failed international mediation efforts. The OAS held four special sessions on Panama during the spring and summer but made little progress toward a negotiated solution. While it is still too early to conclude definitively that international mediation efforts have failed (the OAS negotiations are still technically open), they were unsuccessful in the short run for a number of reasons.

Most important, General Noriega and the PDF had no intention of transferring power to the civilian opposition through elections or by any other means. Even had they wished to do so, the stakes involved in a real transfer of power were too high for the PDF's top leadership. Noriega had been indicted in the United States for drug trafficking and his closest associates were also deeply involved in the drug trade. They feared extradition should they lose control of the government, a fear that was rein-

forced in September when Colombian President Virgilio Barco Vargas issued extradition orders for many of his country's top cocaine traffickers.

The traditionally noninterventionist stance of the OAS also made it difficult for the organization to become deeply involved in an inherently interventionist undertaking. It was clear that Noriega would have to leave before the political crisis could be resolved. And yet OAS delegates were hesitant publicly to criticize Noriega or to call for his removal. This noninterventionist dilemma was compounded by the fact that the United States conducted military exercises while OAS negotiators were meeting in Panama to resolve the crisis. Ecuadorian Foreign Minister Diego Cordovez was particularly troubled by the implicit threat of a United States invasion.

Finally, the OAS mission was undermined by the structure of the delegation itself. Instead of selecting one principal mediator to remain in Panama until the negotiations were completed, a four-man mission was dispatched on a number of occasions. There was neither close coordination nor continuity in the delegation's activity. This organizational problem was further compounded by the delegation's choice of negotiating tactics. Once it had accepted Noriega's call for three-way discussions between the PDF, COLINA and ADOC, the civilian opposition was put at a permanent disadvantage.

ECONOMIC TRENDS

Panama's economy had not been particularly healthy for more than a decade, but it was devastated by the economic sanctions imposed by the Reagan administration in April, 1988. Using the authority granted him under terms of the International Emergency Economic Powers Act, the President signed an executive order that blocked Panamanian funds in United States banks. This order also required United States government agencies and private businesses to place taxes and other payments owed to the Noriega regime in escrow accounts managed by the Federal Reserve Bank of New York. By the summer of 1989, the total amount in these accounts had reached \$300 million.

In early 1989, the Panamanian government released economic figures for 1988 that revealed the full extent of the damage. The gross national product (GNP) had declined by 22 percent and the official unemployment rate had reached 25 percent. Domestic bank deposits fell by 35 percent and capital flight was estimated to have exceeded \$1.5 billion. Particularly hard hit were construction and tourism. The value of construction permits declined by 78 percent between 1987 and 1988 and hotel room occupancy was down 35 percent.

¹⁵Ibid.

As the economic crisis deepened, Panama's world trade and financial position suffered. Imports (excluding those into the Colon Free Trade Zone) declined by 44 percent and exports by 17 percent in 1988. By early 1989, Panama was \$1.3 billion in arrears on service payments for its \$4 billion national debt. The International Monetary Fund declared Panama ineligible for further financing until these obligations were met.¹⁶

The regime's financial strength was seriously undermined by the United States sanctions, which caused a 45 percent drop in government revenues during 1988. Since this decrease threatened to undermine General Noriega's base of support within the state bureaucracy, the regime's first priority was to pay the salaries of 150,000 public employees. Using "creative financing," it managed to do so, although full payment of the traditional thirteenth-month bonus was delayed until 1991. However, the regime's obsession with maintaining the public work force at existing levels meant that all other government-funded activities were ignored. The country's economic infrastructure went unattended, and development programs were held in abeyance.

In spite of the myriad economic problems that the government faced as a result of the economic sanctions, it managed to survive. Part of the difficulty was that the sanctions were not airtight. Although they deprived Noriega of an estimated \$300 million during their first year, some \$250 million was provided to the regime through amendments to the sanction regulations requested by the United States business community in Panama.¹⁷ Since General Noriega needed an estimated \$500 million to meet his government payroll, it could be argued that these amendments to the sanction regulations effectively undermined the Reagan administration's economic strategy.¹⁸

In addition to leaky sanctions, the Noriega regime was financially bolstered by cash that continued to pour into the Panamanian economy from the paychecks of United States military and civilian employees. Some 12,000 employees of the Southern Command and the Panama Canal Commission, many of whom lived in Panama, spent these checks for a variety of goods and services. The Panama-

nian government continued to receive revenue equal to approximately ten percent of its GNP in the form of tolls it received from non-United States vessels transiting the canal.¹⁹

Although the economic sanctions caused major headaches for the Panamanian government in terms of public financing, it did not have to deal with attendant problems like currency devaluation and inflation. Panama uses the United States dollar as its national currency. Because it has an open economy, its rate of inflation is generally tied to that of the world economy as a whole. From 1987 to 1988, the consumer price index rose less than one percent.

A final factor that allowed Noriega to weather the United States economic sanctions during 1988 and most of 1989 was the resiliency and adaptability of the Panamanian people. Public employees were paid in small-denomination checks, which became a type of parallel currency. This new currency, as well as others like certificates of deposit, were used to pay for rent and public utilities.²⁰ Panamanians quickly adapted to the harsher conditions of existence imposed by the sanctions. Although Panama has a high standard of living by Central American standards, most people are not far from their rural roots. Many of the urban poor returned to the countryside, while those remaining in the cities made the best of things. They consumed more rum and less whiskey. As one wealthy Panamanian put it: "I used to eat caviar. Now I eat ham."²¹

CONCLUSION

General Noriega managed to survive many internal and external challenges to his leadership during 1989, including the October coup attempt. Unlike the previous coup attempt in 1988, one of Panama's eight combat companies supported this second effort to oust him. Perhaps more important, Noriega reacted by ordering the summary execution of a number of officers. When Latin American military leaders turn on members of their own officer corps, it is usually a sign that their days are numbered.

The October coup attempt also suggests that, even if Noriega is removed, there are no assurances that the Defense Forces will move Panama along the path toward democracy. Mid-level officers involved in the plotting appear to have been more interested in their own careers than in restoring civilian rule. The rebels' proclamation stated that theirs was strictly a military movement with no politics involved and that they wished to return to the guiding principles of former military strongman Omar Torrijos Herrera.

The establishment of a post-Noriega democracy in Panama is also rendered problematic by the con-

¹⁶FBIS, July 11, 1989.

¹⁷The first amendment, which took effect on June 15, 1988, allowed Panamanian employees of the Panama Canal Commission to pay their social security taxes. The second, implemented in August, allowed American companies to pay port fees required in the conduct of their business. See "U.S. Policy toward Panama in the Aftermath of the May 1989 Elections."

¹⁸Ibid.

¹⁹*The New York Times*, February 11, 1989.

²⁰Ibid.

²¹Ibid.

tinuing weakness of the civilian opposition. The May election returns that appeared to have heavily favored the opposition are more accurately interpreted as expressing overwhelming condemnation of Noriega. Should the civilian opposition come to power, it will face the task of building a broad base of support within the labor sector and among the lower classes.

The United States role and that of other external actors will prove critical in any effort to build democratic institutions. President Bush has declared that he has no quarrel with the Defense Forces but only with General Noriega. If this is indeed the case, the future of democracy in Panama is exceedingly bleak.

The involvement of the United States and other external actors will be critical in any effort to build and maintain democratic institutions in Panama. Should the Bush administration merely settle for Noriega's removal, the future of democracy will remain in question. The United States must be willing to use its good offices to make sure that the PDF retires from politics and that any successor civilian government is broadly inclusive of various class interests. Panama's inclusion in the ranks of Latin America's democracies can only be guaranteed with United States help. ■

EL SALVADOR

(Continued from page 12)

States military assistance has been fueled in great part by a critical article written two years ago by four United States lieutenant colonels. It concluded, "By most estimates the war in El Salvador is stuck; unhappily, the United States finds itself stuck with the war."³

This article gave rise to the belief in some Washington circles that the war was "stalemated" at best, or that the armed forces were losing. Not surprisingly, in early 1989 an article signed by rebel leader Joaquin Villalobos in *Foreign Affairs* cited this argument as evidence of the failure of United States military policy. More surprisingly, in the summer, 1989, issue of *Foreign Affairs*, news reporter James LeMoyné flatly asserted, "The army risks losing the war." In other circles, there is a strong contrary belief that the statistics of war clearly point to a steady decrease in guerrilla capabilities.

But in an important sense, "winning" or "losing" the guerrilla war is a meaningless concept to apply to the conflict at this time. From the beginning, strategists agreed that military force was to be

employed against guerrilla rebels—who fought to destroy the Salvadoran armed forces and create a Marxist-Leninist state—to provide a shield behind which a reasonably democratic political system could take root. There was widespread agreement in the United States and in El Salvador that since abuses of power in the past had created an environment conducive to rebellion, containment of antidemocratic rebel forces—not their annihilation—was the goal. If the democratic experiment succeeded, the legitimacy of the government would deny guerrillas enough popular support to remain viable. Then the military shield could be removed and democracy could proceed.

Viewed by these standards, United States policy goals have succeeded only partially. There is some evidence that democratic roots have begun to take hold. Presidential power was transferred peacefully through elections from one party to another. Polling and other data indicate the support base for the guerrillas is extremely limited and that most Salvadorans support the regime.

On the other hand, police roundups, abuse of labor and the brutal slaying of the Jesuit priests suggest that in important quarters of Salvadoran society, the commitment to human rights and democracy is thin. Until such brutal actions are punished, it is clear to United States taxpayers that several billion dollars of United States assistance only prevented the guerrillas from taking power in El Salvador, but did not guarantee democratic government there.

On the military and military-political side of the equation, it seems reasonably safe to conclude that the guerrillas have been at least partially contained. A few years ago, guerrillas could attack and destroy army garrisons when they felt it useful for overall strategic purposes. This ability has been curtailed. At El Paraiso, where a United States adviser fell in combat in an attack on the post just three years ago, guerrillas tried to attack again in September, 1989, but were unable to get within six kilometers of the post.

In the military-political battle, the FMLN is no longer able to place thousands of people on the streets to complement other activities, a mute testimony to the political failure of the left. The hundreds of refugee camps scattered throughout the countryside, to which sectors sympathetic to the FMLN have been scattered, are now perhaps the only major islands of support available to them. In more technical terms guerrilla assets are less fungible: domestic political power, in decline, is no longer convertible into military might or other forms of power; in turn, military might is usable only against the economy, and at a political cost. The reverse is true for the government, whose various

³A.J. Bacevich, James D. Hallums, Richard H. White and Thomas Young, "American Military Policy in Small Wars: The Case of El Salvador," unpublished conference paper delivered at Harvard University, March, 1988, p. 8.

assets of power are readily convertible.

The fundamental flaw of those who view the FMLN-government conflict as a "stalemate" lies in their almost exclusively military interpretation of conflict. Honest elections, government reform, civic action in conflict zones and so on are not mere supporting factors in an essentially military conflict. It is the other way around. And just as in 1978, when relatively weak guerrilla military capabilities led some critics grossly to underestimate FMLN overall potential to win a guerrilla war, today relatively strong guerrilla military capabilities lead some to overestimate guerrilla potential. As the political situation improves for the government, it is perhaps inevitable that some quarters will become impatient with the military balance. Thus, related to the debate over "winning" and "losing," there may be a more subtle debate over whether the strategy of employing military might as a shield should continue, or whether a more aggressive policy of annihilation should be pursued. High-level Central American and United States diplomats since Esquipulas II (the Central American peace plan), August, 1987, have clearly indicated that they believe in the more moderate approach in which both the Nicaraguan contras and the FMLN undergo a metamorphosis from violent spoilers to legitimate political opponents. Should the FMLN refuse to negotiate in 1990, impatient and less moderate actors may well advocate annihilation.

In 1989, guerrillas were aware of their deteriorating political base in contrast to a strengthened ARENA government; they understood that international trends do not favor them. By the end of 1989, rebel commander Joaquin Villalobos could hardly boast, as he had in an interview with Marta Harnecker on February 25, 1989, that the left could actually win national elections outright. Three weeks after he made the boast, the left received less than 4 percent of the vote. After his first 100 days in office, a Gallup poll indicated that 71 percent of the population were favorably impressed with Cristiani's performance. Over the summer guerrillas could feel the military vise relentlessly tightening in the countryside. True, FMLN military capabilities made themselves felt, but their overall intensity was lower. By year's end, pro-guerrilla sectors of the labor movement and other support groups were far smaller and less reliable than they had been in the past. That these supporters had been mercilessly harassed by police does not change the political reality that as instruments of FMLN control their effectiveness is down. Repression of these groups is simply no longer politically costly, a symptom, as well as a cause, of guerrilla decline. Perhaps most important, as news reporters scrambled to cover Colombia, Poland and

East Germany, and as human rights groups worried about other matters, guerrilla groups in El Salvador were in danger of being forgotten.

Having chosen in November to opt for violence once again, both sides approached 1990 in a weakened position. The Cristiani government must prove that it can establish control of the right wing and that it understands that the guerrillas need to feel secure before they will participate in peace talks. The guerrillas must prove that they are serious about peace and that they intend to avoid senseless military forays. And both sides must prevent human rights abuses.

During most of 1989 the FMLN guerrillas kept open two options; they negotiated while continuing to inflict damage. They also showed in their election-period peace offensive that they can gain the initiative, capture the imagination and exercise "spin control" in the atmosphere of electoral politics as well as on the battlefield. The Cristiani government, in turn, has demonstrated flexibility and intelligence in dealing with what may be a period of protracted bargaining.

When the guerrillas asked for a renewal of negotiations on May 29, the government acted with calm deliberation, waiting until the Central American presidential summit had concluded in August before negotiating formally. Instead of demanding that the Central American Presidents ask for the disbanding of the FMLN, as they had for the contras, Cristiani accepted the verdict that negotiations were more appropriate, because the FMLN enjoyed more domestic legitimacy than the contras, a concession designed as much for the United States Congress (about to vote on military assistance) as it was for his own constituents.

All sides must share some responsibility for the lost opportunities of 1989. For all too many United States government officials, El Salvador has become a forgotten entity, useless for career advancement in the heady new climate of drug enforcement and an easy target in Congress for a budget cut. Some human rights groups, too, have spread themselves so thin that they cannot marshal effective coverage of El Salvador.

For the government of El Salvador, the intoxication of electoral victory blinded key officials to the precariousness of their position. Guerrillas, although they had reason to feel threatened, could have given the peace process a better chance; the guerrillas' human rights slate is not clean either. Once again, right-wing thugs have proved that they have learned nothing after ten long years of relentless bloodshed.

The violence of 1989 brought only misery to its victims. Perhaps in 1990 a more concerted effort will bring the conflict to a close. ■

BRAZIL

(Continued from page 29)

the ground between the United States and Brazil in the continuing trade disputes that have soured the bilateral relationship? Can Brazil attract the necessary investment and technology to modernize its industrial plant and to meet the challenges posed by the European integration process in 1992, the new North American free trade area and the emerging yen-led bloc in Asia? The "lost decade" of the 1980's has left most of South America at the margin of global economic and financial change, and the next Brazilian President will need a new strategy to "catch up" and compete.

The election of a new President is always seen as a new beginning. But in 1990 that beginning in Brazil will be heavily weighted by the painful legacy of errors, misfortune and missed opportunities that have characterized the last decade. ■

BOOK REVIEWS

(Continued from page 30)

analysis, the author warns that the church should not be viewed as a monolithic institution. In all major conflicts throughout Nicaragua's history, members of the clergy have been supporters on both sides of the conflict.

DEMOCRACY UNDER SIEGE: NEW MILITARY POWER IN LATIN AMERICA. *Edited by Augusto Varas.* (New York: Greenwood Press, 1989. 222 pages, bibliography and index, \$39.95.)

The studies collected in this volume are the result of a research project conducted by a group of 13 South and Central American scholars under the sponsorship of the Joint Committee on Latin American Studies of the Social Science Research Council and the American Council of Learned Societies. The articles deal with the conflict between military power and democracy in Colombia, Peru, Argentina, Brazil, Chile, Uruguay, Mexico, Cuba, Nicaragua and Bolivia. Two articles provide overviews of the problems of military autonomy and democracy in Latin America, and the development of military autonomy and corporateness in Central America between 1979 and 1983.

WORKING-CLASS MOBILIZATION AND POLITICAL CONTROL: VENEZUELA AND MEXICO. *By Charles L. Davis.* (Lexington, Ky.: University Press of Kentucky, 1989. 211 pages, tables and figures, notes and index, \$22.00.)

In most developing countries of Latin

America, the government has postponed economic reforms and improvements in living standards to improve the climate for capital investment. This study is based on surveys of workers in Mexico and Venezuela. It deals with the characteristics of their socioeconomic condition, explores the mechanisms used by the state to control the political mobilization of labor and questions the reasons why labor has failed to play a creative role in Mexico and in Venezuela in building a more just society.

ELECTIONS AND DEMOCRACY IN CENTRAL AMERICA. *Edited by John A. Booth and Mitchell A. Seligson.* (Chapel Hill: University of North Carolina Press, 1989. 214 pages, notes, references and index, \$29.95, cloth; \$10.95, paper.)

This collection of essays by eight Central American specialists is the outgrowth of a panel discussion at the congress of the Latin American Studies Association in 1988. The recent elections in Honduras, Guatemala, El Salvador, Nicaragua and Costa Rica are analyzed and the long-term impact of these elections on democratization is evaluated.

LATIN AMERICAN DEBT AND ADJUSTMENT: EXTERNAL SHOCKS AND MACROECONOMIC POLICIES. *Edited by Philip L. Brock, Michael B. Connolly and Claudio González-Vega.* (New York: Praeger, 1989. 261 pages, tables and figures, references and index, \$49.95.)

In this volume, both Latin American and North American economists contribute articles on the debt crisis in Latin America, the consequences of depressed commodity prices, high interest rates and economic shocks of the 1980's.

SOCIAL CHANGE IN BRAZIL, 1934-1985: THE INCOMPLETE TRANSITION. *Edited by Edmar L. Bacha and Herbert S. Klein.* (Albuquerque: University of New Mexico Press, 1989. 346 pages, tables, notes and references, \$22.50.)

This is a series of essays evaluating the changes in Brazil in the last 40 years with regard to population growth and redistribution between rural and urban areas, employment, health care, education, poverty and prosperity, and the government policies that have influenced welfare and wealth distribution. As the editors point out, Brazil's rate of industrialization has been faster than the rate in the Asian countries, but the Asian countries have achieved far better distribution of income and more effective social results. Statistical tables are included. ■

THE MONTH IN REVIEW

A Current History chronology covering the most important events of November, 1989, to provide a day-by-day summary of world affairs.

INTERNATIONAL

Central American Peace Plan

Nov. 1—Nicaraguan President Daniel Ortega Saavedra ends the 19-month-long cease-fire with the Nicaraguan contras; he calls for demobilization of the contra forces as a prelude to new peace talks.

Contra representatives in Honduras say that the Nicaraguan government has begun an offensive against contra forces in northern Nicaragua.

Nov. 2—The Honduran government refuses to agree to Nicaraguan calls for new peace talks and the demobilization of the contras, saying that the current peace accords are sufficient to achieve peace.

Nov. 6—Nicaraguan contra representatives agree to hold talks with the Nicaraguan government representatives under UN auspices in New York City on November 9-10.

Nov. 7—Honduras announces that it will send representatives to the peace talks on November 9-10.

Nov. 8—Ortega offers to stop receiving foreign weapons if the contras begin immediately to demobilize their bases.

Nov. 9—Colonel Enrique Bermúdez, leader of the contra delegation to the peace talks, says that the 15-point Sandinista peace proposal is "not serious."

Nov. 10—Discussions at the UN are suspended until November 13, when they will resume at the OAS (Organization of American States) headquarters in Washington, D.C.

Nov. 15—In Washington, D.C., the Sandinistas offer to drop their demand that the contras disband in Honduras if contra forces in Nicaragua return to Honduras.

Nov. 17—Talks under UN auspices recess without major agreements.

Nov. 21—Talks between the contras and the Sandinistas are again suspended.

Council on Europe

Nov. 16—Hungary becomes the 1st Warsaw Pact nation to apply for membership in the Council of Europe.

European Community (EC)

Nov. 27—In Brussels, the 12 EC members and the Soviet Union agree on a 10-year trade pact that will ease trade quotas and allow the exchange of technical information.

International Terrorism

Nov. 12—*The New York Times* reports that terrorist leader Abu Nidal has killed at least 22 leaders and 150 soldiers of his Fatah Revolutionary Council group in the last 2 years.

Nov. 27—Arab diplomats and PLO (Palestine Liberation Organization) officials say that Abu Nidal has been put under house arrest by Libyan authorities in Tripoli.

Organization of American States (OAS)

(See *Intl, Central American Peace Plan*)

Organization of Petroleum Exporting Countries (OPEC)

Nov. 28—OPEC members agree to raise oil production to 22 million barrels a day during the 1st half of 1990.

Palestine Liberation Organization (PLO)

(See *Intl, International Terrorism; Israel; U.S., Foreign Policy*)

United Nations (UN)

(See also *Intl, Central American Peace Plan; Namibia; U.S., Legislation*)

Nov. 1—The General Assembly unanimously calls for "an early start" on new peace talks between Afghanistan's government and a delegation representing the 7 guerrilla forces in opposition.

Nov. 16—The General Assembly approves a resolution that calls for a comprehensive political solution in Cambodia including the Khmer Rouge in an interim government.

Nov. 20—By consensus, the General Assembly adopts a 54-article draft convention, the International Convention on the Rights of the Child, aimed at protecting a child's basic rights; 20 nations must ratify it before it takes effect.

Warsaw Treaty Organization (Warsaw Pact)

(See *Intl, Council of Europe; Czechoslovakia*)

AFGHANISTAN

(See also *Intl, UN; U.S.S.R.*)

Nov. 18—At a news conference in Islamabad, Afghan guerrilla leader Gulbuddin Hekmatyar condemns the U.S. for cutting off military supplies to his Islamic party faction. The Islamic party has been accused of killing rival guerrilla leaders.

BOLIVIA

Nov. 15—After negotiations with striking teachers and labor unions fail, the government declares a 3-month state of siege; at least 700 people are taken into custody.

BRAZIL

Nov. 19—In the final tabulation of the November 15 presidential election, Fernando Collor de Mello finishes 1st with 28 percent of the vote, while Luis Inácio da Silva defeats Leonel Brizola for 2d place; Collor and da Silva will face each other in a runoff election in December.

BULGARIA

Nov. 10—General Secretary Todor Zhivkov, Bulgaria's leader for 35 years and an advocate of hard-line orthodox communism, resigns. Foreign Minister Petar Mladenov becomes General Secretary.

Nov. 16—The party Central Committee dismisses 3 Politburo members associated with Zhivkov.

Nov. 18—The Parliament formally removes Zhivkov as head of state.

Mladenov says he favors free elections in Bulgaria and that the Parliament should function as "a democratic alternative."

CAMBODIA

(See *Intl, UN*)

CHINA

(See also *U.S., Legislation*)

Nov. 7—The government announces that China has closed more than 1 million rural industrial collectives and forced the closure of 2.2 million private enterprises.

Nov. 9—De facto leader Deng Xiaoping formally retires from his last party post, chairman of the party Central Military

Commission (CMC); he names General Secretary Jiang Zemin as his successor. Deng is still the chairman of the state CMC.

Moody's Investors Service downgrades China's long-term credit rating, reflecting its assessment that China will have to pay more for conventional loans.

Nov. 10—Deng says that he plans to retire from the state CMC in the spring of 1990.

Nov. 18—*The New York Times* reports that in a speech on September 4, Deng told high officials not to heed him if he says "crazy things" and becomes less clear-minded. The speech is only now being distributed.

Nov. 19—Meeting with U.S. Ambassador James R. Lilley, a Foreign Ministry official expresses "utmost indignation" in reaction to economic sanctions approved by the U.S. Congress on November 15 to protest China's treatment of pro-democracy demonstrators.

COMORO ISLANDS

Nov. 27—State radio reports that yesterday a group led by a disgruntled army officer attacked the presidential palace in a failed coup attempt and killed long-time President Ahmed Abdallah Abderemane.

CZECHOSLOVAKIA

(See also *Germany, East*)

Nov. 17—A demonstration of 15,000 people in Prague's Wenceslas Square ends when riot police attack the crowd.

Nov. 19—For the 3d day, police forcefully break up protests in Prague; the demonstrators call for the ouster of Communist party General Secretary Milos Jakes.

Nov. 20—A crowd of more than 200,000 fills Wenceslas Square, but disperses when it is confronted by heavily armed troops.

Nov. 23—Former General Secretary Alexander Dubcek addresses a crowd of 70,000 in Bratislava and says that he supports the growing protest movement; Dubcek has been in internal exile in Bratislava since his ouster in 1968 by Warsaw Pact forces.

Nov. 24—In his 1st speech in Prague since 1968, Dubcek tells 350,000 protesters that "today's problems were caused by the invasion of 1968."

Later in the day, the 13-member Politburo resigns. The Central Committee appoints a new 9-member Politburo that includes 6 former members; Karel Urbanek replaces Jakes as General Secretary.

Nov. 25—The size of the demonstrations in Prague swells to between 500,000 and 800,000 people.

Nov. 26—In another shakeup of the Politburo, 3 more members are dropped in a concession to the opposition.

Nov. 27—Millions of workers hold a 2-hour general strike to show solidarity for democratic reform.

Nov. 28—After a meeting between Prime Minister Ladislav Adamec and opposition representative Vaclav Havel, the Communist party agrees to relinquish its leading role in society; it also agrees to a coalition government.

Nov. 29—Politburo member Vasil Mohorita says that free elections in Czechoslovakia will "be possible within 12 months."

The Parliament deletes from the constitution the guarantee of a "leading role" for the Communist party.

EL SALVADOR

(See also *U.S., Foreign Policy*)

Nov. 2—Farabundo Martí National Liberation Front (FMLN) rebels break off negotiations with President Alfredo Cristiani's government. The FMLN blames the government for an October 31 explosion at a labor union headquarters that killed 8 people.

Nov. 11—The FMLN launches a major offensive against government forces.

President Cristiani declares a state of emergency; the military imposes a dusk-to-dawn curfew.

Nov. 13—Heavy fighting continues as the government counterattacks; the U.S. embassy estimates that 400 people have died, including 51 civilians.

Nov. 14—The government escalates its military activities, places a 24-hour curfew on areas surrounding San Salvador and rejects a rebel request for a temporary cease-fire.

Nov. 16—At José Simeón Cañas University in San Salvador, unknown assailants murder 6 Jesuit priests and 2 female servants; witnesses say the murderers were dressed in military uniforms.

Nov. 17—British journalist David Blundy is killed during fighting in San Salvador.

Nov. 19—The Archbishop of El Salvador blames "elements of the armed forces" for the murder of the Jesuits on November 16.

Nov. 20—Government forces raid an Episcopal church in San Salvador; the troops arrest 17 lay workers and ransack church records.

Nov. 21—Leftist guerrillas attack a hotel in San Salvador, trapping 12 American soldiers in the hotel.

Nov. 22—The American soldiers leave the hotel in San Salvador; they never engaged the guerrillas in combat.

Nov. 23—After Cristiani rejects a cease-fire offer from the guerrillas, the air force launches a major strike against guerrilla positions.

Nov. 25—A plane carrying 24 Soviet-made missiles crashes in eastern El Salvador; the government accuses Nicaragua of sending the arms to the guerrillas.

Nov. 26—Cristiani announces that El Salvador is suspending diplomatic and commercial ties with Nicaragua.

Security forces say that they have arrested Jennifer Jean Casolo, an American peace activist, and that a large cache of arms and explosives was found at her home.

Nov. 28—Former Supreme Court Chief Justice Francisco José Guerrero, a prominent right-wing politician, is assassinated in San Salvador.

Nov. 29—Guerrillas begin a new offensive in San Salvador.

GERMANY, EAST

(See also *Germany, West; U.S.S.R.*)

Nov. 1—Concluding a 2-day visit to the Soviet Union, East German General Secretary Egon Krenz says that the Communist party will not give up its leading role in society and that the demonstrations indicate that East Germans "want better socialism."

Nov. 2—The official East German press agency ADN announces the resignation of Education Minister Margot Honecker, the wife of former General Secretary Erich Honecker.

Nov. 3—Krenz fires 5 of the 18 Politburo members; the mayor of Leipzig and the leader of the official Union of Artists resign.

Officials in Prague, Czechoslovakia, say that 6,000 East German emigrés in Prague will be sent to West Germany.

Nov. 4—Travel restrictions are further eased by the East German government, allowing the unrestricted passage of East German citizens to West Germany via Czechoslovakia.

Over 500,000 people gather in East Berlin to call for democratic reform and free elections. The demonstration is broadcast on live television and radio in East Germany.

Nov. 5—Interior Minister Friedrich Dickel announces a new law on travel that would allow East Germans 30 days of travel in the West and would end restrictions that currently make unauthorized travel a treasonable offense.

- Nov. 7—The 44-member Council of Ministers (the Cabinet) resigns and asks Parliament to form a new government.
- Nov. 8—Krenz demands the resignation of the entire 21-member Politburo; he reappoints a new 11-member Politburo, retaining 6 former members. Krenz nominates Dresden party leader Hans Modrow, an advocate of reform, as Prime Minister.
- Nov. 9—At a news conference, Politburo member Günter Schabowski announces that "it is now possible for all citizens to leave the country through East German crossing points." The decision allows for travel and permanent emigration without "preconditions."
- Hours after the decision to allow free travel is announced, thousands of East Germans overrun the Berlin Wall and cross into West Germany.
- Nov. 10—At a special session, the Communist party Central Committee reveals a program calling for free elections, the separation of party and state, parliamentary supervision of state security, new laws on press freedom and "a socialist planned economy oriented to market conditions."
- Nov. 11—The East German press agency says that 2.7 million visas for foreign travel have been issued since November 9.
- Nov. 12—Krenz announces that a full-scale Communist party conference will be held in December.
- Nov. 13—After denouncing the Honecker regime, the Parliament confirms Hans Modrow as Prime Minister.
- Nov. 17—Modrow wins parliamentary approval of a new 28-member Cabinet; the Cabinet includes 11 pro-socialist ministers who are not members of the Communist party.
- Nov. 18—*The New York Times* reports that Honecker's removal was triggered by his decision on October 7 to order troops to fire on protesters in Leipzig; the orders were canceled by Security Minister Egon Krenz on October 9.
- Nov. 19—Tens of thousands participate in officially sanctioned demonstrations in 8 East German cities; the protesters demand free elections and a multiparty system.
- Nov. 22—The Communists agree to negotiate with the opposition about free elections and other reform measures.

GERMANY, WEST

(See also *Germany, East*)

- Nov. 8—Chancellor Helmut Kohl says that West Germany will provide financial aid to East Germany if the East Germans allow free elections and change their state-planned economy.
- Nov. 9—Hearing of the East German decision to open its borders, Parliament ends its session with a spontaneous rendition of the national anthem.
- Nov. 14—West Germany signs an agreement to provide Poland with \$2.2 billion in financial assistance.
- Nov. 27—Addressing Parliament, Kohl presents a plan that would lead to the formation of a German confederation; the plan is contingent on free elections in East Germany.
- Nov. 30—Alfred Herrhausen, the head of West Germany's Deutsche Bank A.G. and one of the most powerful businessman in West Germany, is killed in a car bombing. The Red Army Faction, a West German terrorist group, takes responsibility.

GREECE

- Nov. 6—The final results of the November 5 parliamentary elections are announced; neither of Greece's 2 largest parties, the New Democracy party and the Socialist party, wins enough seats to form a government.
- Nov. 7—President Christos Sartzetakis asks New Democracy party leader Constantine Mitsotakis to form a government.
- Nov. 21—Greece's 3 main political parties agree on a coalition that will govern until April, when new elections are scheduled.

- Nov. 23—Xenophon Zolotas is sworn in as Prime Minister.

HONDURAS

(See also *Intl, Central American Peace Plan*)

- Nov. 27—Opposition party presidential candidate Rafael Leonardo Callejas claims victory over the ruling Liberal party candidate Carlos Flores in the November 26 presidential elections.

HUNGARY

(See also *Intl, Council of Europe; U.S., Legislation*)

- Nov. 27—The November 25 referendum rejects the government-proposed timetable for elections; the vote, forced by opposition groups, was the 1st free election in 42 years.

INDIA

(See also *Sri Lanka*)

- Nov. 8—The Indian Election Commission decides not to allow computerized voting in the November 22-26 elections.
- Nov. 17—Opposition leader Vishwanath Pratap Singh is accused of working with the U.S. Central Intelligence Agency (CIA) by a politician suspected of working for Prime Minister Rajiv Gandhi. The U.S. embassy rejects the allegations.
- Nov. 22—Armed gangs terrorize voters on the 1st day of national elections.
- Opposition politician Sanjay Singh, V.P. Singh's nephew, is shot and seriously wounded in Uttar Pradesh, where he is a candidate for a state assembly seat.
- Rajmohan Gandhi (competing with Rajiv Gandhi for a parliamentary seat in Amethi), grandson of Mohandas K. Gandhi, is injured while campaigning.
- Nov. 24—In Uttar Pradesh, unidentified gunmen shoot at but miss V.P. Singh as he is campaigning.
- Nov. 25—Electoral commission investigators find irregularities in half the polling stations.
- More than 100 people have been killed in election-related violence.
- Nov. 26—Early election results show that Rajiv Gandhi and the Congress party have lost their majority in Parliament.
- In Uttar Pradesh—Rajiv Gandhi's home district—18 percent of the vote is invalidated because of allegations of fraud.
- Nov. 27—Parliament is dissolved. Leaders of the two opposition parties—the Janata Dal party and the Bharatiya Janata party—begin to discuss a coalition government that would exclude the Congress party.
- Nov. 29—Although he is reelected leader of the Congress party, Rajiv Gandhi resigns as Prime Minister and the Congress party formally relinquishes control of the government. Gandhi has been asked to remain as head of a caretaker government until a new Prime Minister is named.
- Nov. 30—The Bharatiya Janata party reorganizes its leadership; party president L.K. Advani becomes the party's leader in Parliament.

IRAN

(See *Lebanon; U.S., Foreign Policy, Political Scandal*)

ISRAEL

(See also *U.S., Foreign Policy*)

- Nov. 5—By a 9-3 vote, the Cabinet formally approves a U.S.-sponsored plan for negotiations between Palestinian and Israeli officials for elections in the Israeli-occupied territories; Israel insists it will not meet directly with the Palestine Liberation Organization (PLO).
- In Cairo, the PLO says it will retain the right to decide who will represent Palestinian interests at peace negotiations with Israel.

ITALY(See *U.S.S.R.*)**JAPAN**(See *U.S., Labor and Industry*)**JORDAN**

Nov. 10—Official results from the November 8 general elections show that the Muslim Brotherhood, a Muslim fundamentalist party, won 20 of the 80 contested seats; other fundamentalists won 12 seats.

KOREA, SOUTH

Nov. 1—South Korea establishes full diplomatic relations with Poland.

Nov. 11—Riot police raid a student protest meeting calling for the resignation of President Roh Tae Woo at Korea University in eastern Seoul.

LEBANON(See also *U.S., Foreign Policy*)

Nov. 1—Three gunmen assassinate Saudi diplomat Mohammed Marzouki in Beirut; a pro-Iran group, Islamic Holy War, takes responsibility for the attack.

Nov. 4—General Michel Aoun orders the dissolution of the Lebanese Parliament; in Paris, Christian Lebanese Parliament members dispute Aoun's constitutional right to take such action.

Nov. 5—In the remote village of Qlailaat in northern Lebanon, members of Lebanon's Parliament elect René Moawad as President; Syria and the U.S. support the election.

Nov. 13—Moawad appoints Selim Hoss as Prime Minister and asks him to form a government.

Nov. 22—A remote-control bomb explodes as Moawad's motorcade travels through West Beirut, killing him and 23 other people; the Christian Solidarity Front, an organization loyal to Aoun, warns Lebanese legislators that they "will meet the same fate as Moawad" if they choose a new President.

Nov. 24—Meeting in seclusion in the Syrian-controlled town of Shtaura, legislators select Elias Hrawi to succeed Moawad as President.

Nov. 27—Aoun orders the full mobilization of his Christian forces; thousands of people flee from Beirut in anticipation of renewed fighting.

Nov. 28—Syrian forces move to within 2 miles of Aoun's headquarters; the government fires Aoun as national armed forces commander.

Nov. 29—The Lebanese Forces and the Phalange party, 2 Christian groups who have been opposed to Aoun, say they will help defend areas controlled by Aoun against attacks by Syrian forces.

LIBYA(See *Intl, International Terrorism*)**LIECHTENSTEIN**

Nov. 13—Prince Franz Josef II, head of state for 51 years, dies. His son, Crown Prince Hans Adam, will succeed him.

NAMIBIA

Nov. 7—Voting begins to elect an assembly to draft Namibia's constitution; the elections, which are being supervised by the UN, will last until November 11.

Nov. 11—Elections conclude with more than 90 percent of registered voters participating; UN observers characterize the voting process as "free and fair."

Nov. 14—It is reported that the South West Africa People's Organization (SWAPO) has won 57 percent of the vote in

Namibia's 1st election; however, SWAPO needs a two-thirds majority to draft a constitution for Namibia. A constituent assembly consisting of SWAPO, the Democratic Turnhalle Alliance and 8 other parties will meet to write the constitution.

Nov. 21—The constituent assembly begins its 1st session in Windhoek.

NICARAGUA(See *Intl, Central American Peace Plan; El Salvador*)**PAKISTAN**

Nov. 1—A no-confidence motion in the National Assembly is defeated by 12 votes; thus the government of Prime Minister Benazir Bhutto is not ousted.

Nov. 11—Bhutto gives ministerial posts to 3 opposition members in the National Assembly who helped her defeat the no-confidence motion.

PERU

Nov. 12—Municipal elections are held throughout Peru without interference from leftist Shining Path guerrillas. A heavy turnout is reported; the government has levied stiff fines for voters abstaining from participating in elections.

Ricardo Belmont, a television and radio personality, wins the race for mayor of Lima by a wide margin.

PHILIPPINES

Nov. 19—In a plebiscite held in 13 southern provinces, 3 of the 5 predominantly Muslim provinces vote in favor of limited autonomy; the 8 Christian provinces reject limited autonomy.

Nov. 30—An attempted coup begins in Manila when rebellious troops attack the presidential palace. President Corazon Aquino asks the U.S. for aid.

POLAND(See also *Germany, West; Korea, South; U.S., Foreign Policy, Legislation*)

Nov. 24—Prime Minister Tadeusz Mazowiecki meets with Soviet President Mikhail Gorbachev in Moscow. Gorbachev says that Soviet-Polish relations "have changed for the better."

ROMANIA

Nov. 20—President Nicolae Ceausescu tells a Communist party congress that Romania will continue to follow orthodox Communist policies.

SAUDI ARABIA(See *Lebanon*)**SOUTH AFRICA**

Nov. 16—South Africa desegregates all public beaches; the new law does not affect hospitals, schools and neighborhoods.

Nov. 23—The government integrates the business district of Boksburg, a mining town southeast of Johannesburg; in 1988, blacks were barred from public facilities in Boksburg after the Conservative party won municipal elections.

Nov. 24—Four residential areas are opened to all races when they are designated as "free settlement areas."

Nov. 28—President F.W. de Klerk orders the dismantling of the National Security and Management System—the army and police network that has played a dominant role in state and local government since 1986.

SPAIN

Nov. 11—In a recount of October's parliamentary elections, the

Socialist party loses its majority; it will form a governing coalition with independent and minority parties.

SRI LANKA

Nov. 5—Rival Tamil guerrillas fight each other for the first time since the withdrawal of Indian peace-keeping forces began in October, 1989.

Nov. 13—Rohana Wijeweera, the leader of the Sinhalese People's Liberation Front, is shot and killed by government forces while in police custody.

Nov. 18—Government troops claim that they have defeated a new Tamil militia in eastern Sri Lanka that was involved in fighting against Muslim police.

SYRIA

(See *Lebanon*)

TURKEY

Nov. 9—Former Prime Minister Turgut Ozal is sworn in as President; Ozal names Yildirim Akbulut as Prime Minister.

U.S.S.R.

(See also *Intl, EC; El Salvador; Germany, East; Poland; U.S., Administration*)

Nov. 7—Concurrent with the official celebration of the 72d anniversary of the Bolshevik revolution, dissenters stage alternative parades in Moscow and around the country.

Nov. 11—In Moldavia, authorities ban public demonstrations and order the confiscation of privately owned weapons.

Nov. 13—Deputy Prime Minister Leonid Abalkin tells an economic conference that "strict and unpopular measures" are needed to improve the Soviet economy.

Nov. 14—The Soviet news agency Tass reports the 1st official comments by Soviet President Mikhail Gorbachev since East Germany opened its borders to the West. Gorbachev says that "now is not the time" to dismantle international institutions.

Foreign Minister Eduard Shevardnadze lauds the East German reform effort but says that the prospect of German reunification is cause for "great anxiety."

Nov. 16—At news conferences in Washington, D.C., and Moscow, Soviet officials announce new relaxed emigration laws and ask the U.S. to remove trade barriers against the Soviet Union.

The Moldavian party Central Committee dismisses party leader Semyon Grossu; Pyotor Luchinsky becomes the new party leader.

Gorbachev tells Soviet students the Soviet Union is not ready to permit the private ownership of property or multi-party political participation.

Nov. 18—Lithuanian Communist party officials are called to the Kremlin for a 10-hour meeting; the Lithuanian party has scheduled a special congress for December, where it may vote to secede from the Communist party of the Soviet Union.

Nov. 20—The Supreme Soviet rejects a government plan that would limit the economic autonomy of individual republics.

Nov. 21—The Communist party promotes Moscow party leader Lev Zaikov to the Soviet Defense Council; Yuri Prokofyev replaces Zaikov.

Nov. 26—Gorbachev publishes an article in the Communist party newspaper *Pravda*; he calls for the revival of Marxism in the Soviet Union and the creation of "humane socialism."

Nov. 27—The Politburo condemns Lithuanian party leaders for attempting to organize an independent Communist party.

The Supreme Soviet grants Lithuania, Latvia and Estonia economic autonomy, including the right to receive profits from centrally controlled factories and to print their own currency.

Nov. 28—The Supreme Soviet grants unconditional amnesty to all Soviet soldiers who committed crimes during the war in Afghanistan.

The legislature restores control of the Nagorno-Karabakh Autonomous Region to Azerbaijan; a special committee has been running the region since January.

Nov. 30—In Italy, on the eve of a summit meeting with U.S. President George Bush, Gorbachev acknowledges that "the moral values of religion" can help economic reform in the Soviet Union.

UNITED STATES

Administration

Nov. 1—President George Bush nominates Antonia Novello, an opponent of abortion, as U.S. Surgeon General.

Nov. 10—Speaking to the National Association of Realtors, President Bush proposes a 3-year, \$7-billion program for low-income families, first-time home buyers and the homeless; he calls it a "comprehensive agenda" to provide shelter and affordable housing.

Nov. 13—At a White House news conference, President Bush names the 27 people who will make up his Presidential Drug Advisory Council.

Nov. 22—In a Thanksgiving address to the nation, President Bush praises the recent changes in East Europe and discusses his scheduled December meeting with Soviet President Mikhail Gorbachev off Malta.

Economy

Nov. 3—The Labor Department reports that the U.S. unemployment rate remained at 5.2 percent in October.

Nov. 9—The Labor Department reports that its producer price index rose 0.4 percent in October.

Nov. 16—The Commerce Department reports that the nation's foreign trade deficit in September was \$7.94 billion, the lowest figure since 1984.

Nov. 21—The Labor Department reports that its consumer price index rose 0.5 percent in October.

Nov. 28—The Commerce Department says that the nation's foreign trade deficit in the 3d quarter of 1989 was \$27.75 billion.

Nov. 29—The Commerce Department reports that the nation's gross national product (GNP) grew at an annual rate of 2.7 percent in the 3d quarter of 1989.

Foreign Policy

(See also *Afghanistan; China; El Salvador; India; Israel; Lebanon; Philippines; U.S.S.R.*)

Nov. 6—After negotiations at The Hague between State Department legal counsel Abraham Sofaer and Iranian officials, the U.S. agrees to return \$567 million in frozen Iranian assets held in a special account to reimburse U.S. citizens with claims against Iran; most claims have already been settled by a special tribunal.

Nov. 13—President Bush meets with Polish Solidarity leader Lech Walesa at the White House and presents him with the Medal of Freedom.

Nov. 22—President Bush says he sent Delta Force commandos to San Salvador to help free the American military advisers trapped in a hotel by leftist guerrillas; however, the soldiers left the hotel before the arrival of the Delta Force.

Labor and Industry

Nov. 8—U.S. and Japanese computer chip manufacturers agree to work jointly on the design and production technology for the manufacture and design necessary for high definition television.

Legislation

Nov. 1—The House votes 382 to 37 to approve a bill raising the

minimum wage to \$4.25 an hour by 1991 and providing a training wage of \$3.35 an hour for those under 20 years of age; the first wage increment will raise the minimum wage to \$3.80 in April, 1990.

Nov. 3—The Senate convicts U.S. District Court Judge Walter L. Nixon on 2 of 3 impeachment charges and removes him from the bench.

Nov. 7—The House votes 269 to 99 and the Senate approves by a voice vote a bill to raise the federal debt ceiling to \$3.12 trillion through September 30, 1990.

Nov. 8—The Senate votes 89 to 8 to approve the bill raising the minimum wage.

Nov. 9—The House votes 236 to 172 to pass a \$305-billion military programs authorization bill for fiscal 1990; an appropriations bill must still be passed.

Nov. 10—In a voice vote, the Senate approves a bill banning smoking on almost all domestic airline flights; the House has already approved the measure.

Nov. 15—Lech Walesa addresses a joint session of Congress; he asks for more assistance of all kinds to help Poland.

The Senate gives final approval to a bill providing an additional \$3.2 billion for the fight against drugs; the measure passed the House in a voice vote on November 1; anti-drug financing now totals \$8.8 billion for the 1990 fiscal year.

Nov. 16—The Senate passes a \$157-billion spending bill that does not mention providing federal funds for abortions to poor pregnant women. The House approved the measure yesterday.

Nov. 18—In a voice vote, the Senate completes congressional action on the "Support for East European Democracy Act of 1989" that provides \$852 million for Poland and \$86 million for Hungary over the next 3 years.

The House approves a measure permitting members, federal judges and top government employees to receive a 33 percent pay rise; the Senate votes 56 to 43 to raise its pay 9.7 percent and allows senators to retain outside speaking fees.

President Bush signs the bill increasing the minimum wage.

Nov. 19—President Bush vetoes a \$14.6-billion foreign aid bill; he objects to a \$15-million grant to the UN Fund for Population Activities (UNFPA), which has allegedly supported coerced abortion and sterilization in China.

Nov. 20—President Bush again vetoes a Washington, D.C., budget bill that would have permitted the use of local funds for abortions.

Nov. 22—Congress votes to repeal the Medicare Catastrophic Coverage Act; the Senate votes for repeal by voice vote; the House votes 352 to 63 for repeal.

President George Bush signs a \$286-billion military spending bill, a measure providing reparations to Japanese-Americans interned during World War II, a bill banning smoking on most domestic airline flights and spending bills for the Departments of Health and Human Services, Agriculture, Labor and Education.

Congress approves a \$14.7-billion deficit-reduction package, including some tax increases.

The first session of the 101st Congress adjourns.

Nov. 30—President Bush fails to sign a law allowing Chinese students to stay in the U.S. when their visas expire; the Chinese government has urged the President to veto the bill.

Military

Nov. 14—The U.S. Navy announces the 48-hour suspension of normal operations to concentrate on a review of its safety procedures for all its personnel; the action follows a series of serious accidents in which personnel have been killed or injured and ships and aircraft have been damaged or destroyed.

Nov. 29—The Air Force announces the removal of 50 MX missiles from Wyoming silos and their deployment on moving trains in 7 states.

Political Scandal

Nov. 8—Former Air Force Major General Richard Secord pleads guilty to a charge of lying to congressional investigators in the Iran-contra affair.

Nov. 12—The *Washington Post* reports that the Federal Bureau of Investigation (FBI) is investigating 5 senators who intervened with regulators on behalf of Charles Keating Jr., the president of the Lincoln Savings and Loan Association of Irvine, California; the senators are Dennis de Concini (D., Ariz.), John McCain (R., Ariz.), Alan Cranston (D., Calif.), Donald Riegle (D., Mich.) and John Glenn (D., Ohio).

Nov. 21—In U.S. District Court in Washington, D.C., Judge Gerhard Gesell agrees to allow Albert Hakim to plead guilty to one misdemeanor count for illegally providing former National Security Council aide Oliver North with a home security system for his role in the Iran-contra affair.

Nov. 22—Because he claims it would damage national security, Attorney General Richard Thornburgh bars the use of classified documents in the Iran-contra trial of Joseph Fernandez, a former CIA official.

Nov. 24—In U.S. District Court in Washington, D.C., Judge Claude Hilton dismisses all charges against Fernandez, saying that he cannot have a fair trial.

Politics

Nov. 5—In an interview made public today, President Bush says he will "absolutely" retain Vice President Dan Quayle as his vice presidential candidate in the 1992 election.

Nov. 7—Local and state elections take place: Democrats now control both legislative houses in 28 states; Republicans control in 8 states; 13 are split.

In New York City, David Dinkins becomes the city's first black mayor; Cleveland, Seattle and Durham, North Carolina, also elect black mayors. Democratic Congressman James J. Florio wins the New Jersey gubernatorial race. In Virginia, in a close vote, L. Douglas Wilder becomes the first elected black governor in the U.S.

Nov. 27—The certified vote tally in Virginia gives Wilder a 7,000-vote margin; his opponent calls for a recount.

Science and Space

Nov. 27—The space shuttle *Discovery* returns, ending its 5-day secret mission; its landing was delayed one day because of high winds at its landing site:

Nov. 29—Medical researchers announce that the drug alpha interferon will control the effects of hepatitis C, the major hepatitis virus that affects Americans and causes severe liver damage.

Supreme Court

Nov. 13—In a 4-4 decision, the Court upholds lower court decisions and permits the merger of the *Detroit News* and the *Detroit Free Press*.

Nov. 22—An out-of-court settlement is reached in a case involving regulations in Illinois that require abortion clinics to be equipped and staffed like hospital operating rooms. Illinois retains the right to inspect the clinics.

URUGUAY

Nov. 27—In the final results of the November 25 presidential elections, National party candidate Luis Alberto Lacalle wins the presidency.



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